



British Columbia Budget 1983

The Honourable Hugh Curtis
Minister of Finance

1983/84 BUDGET HIGHLIGHTS

Finance Minister Hugh Curtis presented the 1983 British Columbia Budget to the Legislature on Thursday, July 7, 1983.

Highlights are:

- expenditure for 1983/84 of \$8.4 billion - 12.3 per cent higher than 1982/83
- expenditure exceeds revenue by \$1.6 billion
- revenue measures yielding an additional \$173 million in the remainder of 1983/84

Curtis said the Budget will:

- lessen the size and lower the cost of government
- emphasize employment creation in the private sector
- bridge the period until full economic recovery is achieved
- lead to a balanced budget within the next several years

Revenue measures announced in the Budget include:

- an increase in the social service tax rate from 6 to 7 per cent
- new application of the social service tax to:
 - * restaurant meals of \$7 or more per person
 - * long distance telephone calls
- 10 cent increase in the tax on cigarettes and tobacco, bringing the tax paid on a package of 25 cigarettes to 50 cents
- elimination of the variable tax rate on automobiles. Full social service tax of 7 per cent must now be paid on all cars, including fuel-efficient ones
- increase in health co-insurance fees, effective September 1, 1983, bringing in an additional \$12 million to offset increased expenditure on hospital and long-term care programs
- exemption of some 15,000 businesses from property tax on machinery and equipment
- a new \$10,000 actual value exemption for business and industrial property taxpayers
- a change in the taxing formula on marine bunker fuel to enhance sales in British Columbia
- indefinite postponement of a planned water rental fee increase January 1, 1984, which would have caused a 5.5% increase in B.C. Hydro electricity rates

(more)

Curtis said the Budget provides for:

- continuation of the Compensation Stabilization Program with new guidelines of "minus five" to "plus five"
- legislation linking all public sector salaries to the taxpayer's ability to pay and providing for increases based on productivity
- maintenance of basic health and social welfare programs

The Budget also outlines:

- a \$415 million spending program for capital works and job creation, including:
 - * \$190 million on highway construction
 - * \$170 million on health facilities
 - * \$40 million for employment creation programs
 - * \$11.7 million for dyking projects
 - * \$3.7 million for agriculture programs

In the Budget, Curtis announced:

- privatization of provincial government enterprises, including:
 - * Cypress Bowl Ski Facility
 - * Manning Park Lodge
 - * Pacific Coach Lines
 - * Beautiful British Columbia magazine
- plans for the transfer of portions of other government services to the private sector including:
 - * legal, architectural, engineering and similar professional services

The Budget also announced:

- amalgamation of some smaller school districts to cut costs
- reduction of regional provincial government offices
- other measures aimed at cutting the number of public employees

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BUDGET SPEECH

I. INTRODUCTION

I have the pleasure and honour to present today the Government of British Columbia budget for the fiscal year ending March 31, 1984.

The building of this, the fourth budget I have tabled in this House since assuming the Finance portfolio, has been a long and arduous process. Reflecting the financial effects of recession, hard choices have been necessary. Leadership and teamwork were essential.

The Premier, my Cabinet colleagues, senior managers in government and many dedicated people throughout the public service have worked tirelessly to bring all the budgetary elements together. The result is a financial plan which I am confident meets the needs of British Columbia today and for the future.

For many in this House we are beginning another term of service to the people of British Columbia. We return with renewed vigour: refreshed by the ideas, concerns and support expressed in our constituencies. May I extend a personal welcome to all returning members.

To those elected representatives present in the Legislature for the first time may I offer a particular welcome. It is my sincere wish that your years of public service in this chamber are challenging and productive.

As Minister of Finance, I remain committed to philosophical principles expressed and endorsed on previous occasions.

First and foremost I continue to be unalterably dedicated to financial accountability of government to the people. The operation of government requires that billions of dollars change hands every year -- from taxpayer to tax collector, from government to those providing service to the public, and from government to those in seriously inadequate financial circumstances. Each one of those dollars belongs, of course, not to the government but to the people of the Province. Accordingly, we in elected office have a primary obligation to account for the use to which public monies are put.

In recent years the quarterly financial reports, the budget documents, the estimates of revenue and expenditure, and the public accounts have all been

expanded and reformed. My goal has been to assist people to understand how their tax dollars are employed to provide social and economic benefits for British Columbians.

Secondly, I remain committed to financial responsibility in government. Through the new Financial Administration Act, methods, procedures and controls have been introduced, some very recently. The objective has been to ensure that public funds are handled in the most correct manner, and with the utmost concern for the taxpayer's right to value for money.

Thirdly, I remain committed to the principle of fairness -- fairness in provision of public services, fairness in taxation policies, and fairness in compensation and employment practices. It has been a fundamental part of this government's approach to public policy that no British Columbians should be burdened excessively by taxation, or be deprived of access to services vital to their health and safety. Similarly, through the Compensation Stabilization Program, British Columbia has led the nation in ensuring fair compensation practices in the public sector.

Finally, I remain committed to a government role in the economy which supports private initiative, which provides permanent and rewarding jobs, and which builds a secure and prosperous economic future. No country or region has achieved enduring prosperity through expansion of overbearing government bureaucracy. Those governments which lean too heavily on the taxpayer, suppress individual initiative and mortgage the future, will inevitably precipitate economic decline.

These principles have been important elements of government policy in the past, and will continue as the foundations of our policy in the years ahead. More importantly, these principles were strongly endorsed by the people of British Columbia on May 5.

II. THE ECONOMIC CHALLENGE

The economies of the western industrial world have reached a critical stage. The growth and prosperity which came so easily in the 1960s and 1970s have faltered, with the economic crisis of the past two years marking the turning point.

No one -- individuals, business enterprises, trade unions, professional associations or governments -- should take a return to prosperity for granted. World economic conditions have changed, markets have become more competitive, technology is advancing ever more rapidly and traditional jobs are disappearing as new ones appear.

Most difficult of all, our expectations must change. The simple message is that without the vital creation of wealth there will be no means of paying for increased living standards. We can only have the full measure of economic recovery we desire if all members of society recognize, and make a conscious decision to give up, that which is no longer affordable. All must support restraint in the spending of their tax monies.

The problems we are now confronting originated in the social and economic fabric woven through at least two decades of prosperity and social reform. Through the 1960s and 70s real economic growth in Canada averaged 4.6 per cent per year. Here in British Columbia our economy expanded at 5.6 per cent annually over that period.

In the government sector revenue growth was even stronger, allowing government to occupy an ever-growing share of the economy.

We also saw rapidly changing social and economic attitudes. Economic growth came to be taken for granted. It was simply assumed to be perpetual, while public debate and concern turned to the social and environmental ills said to be caused by growth. Distrust of the private sector was widespread.

The public sought more containment and regulation of business decisions and governments responded, often too eagerly. Regulatory laws, commissions, tribunals and related government activities expanded into a tangled regulatory web, which began to envelop the economy.

More than two decades of rapid government growth meant a corresponding increase in bureaucracy. The ambitious social and regulatory agenda of governments required planners, lawyers, sociologists, geologists, biologists,

economists and other highly trained people. In British Columbia today the public sector -- federal, provincial and local -- accounts for one of every four jobs. Governments taken together now represent the largest single sector of employment in the country.

Governments assumed the role of model employers, offering generous salary and benefit packages. As a result, skilled members of the labour force turned to the public sector in greater numbers.

These were dramatic and far reaching developments -- developments that history might have suggested could not last. They were, in a sense, golden years of economic growth and social reform.

By the mid-1970s cracks began to appear. The OPEC cartel applied its market power, and the economies of the world were forced to undergo wrenching adjustments. Inflation and unemployment persisted at high levels through most of the past decade.

Public sector strikes and compensation practices came increasingly into conflict with the private sector -- rail shutdowns, port closures, postal stoppages all exacted their toll on the people we serve. The massive government presence in labour markets meant private employers had to match the compensation practices of public employers, and yet still compete to survive in international markets.

The consequences of what was, in retrospect, a major overextension of government were beginning to rebound on the public sector as well. Ever more numerous tax incentives, combined with a weak economy, began to erode government's revenue base, and revenues began to fall behind expenditure growth. Government deficits spread and grew.

Since 1981 there has been a major turning point, with the most telling signals emanating from international financial markets. Dramatic increases in interest rates underscored one basic fact: on a world scale, borrowing demands by governments, corporations and people could not be accommodated by available savings. As in any market where a shortage appears, the price rose. Higher interest rates were necessary to bring savings into line with borrowing demands.

In a few short months the psychology of prosperity underwent dramatic change. From years of earned prosperity, through years of complacent prosperity, we discovered quickly and painfully that borrowed prosperity was not tenable. Interest rates reached

levels in excess of 20 per cent, causing traumatic financial adjustments. The market's message was clear; borrowing would be more costly and, for a considerable time, the cost became prohibitive.

The recession brought on by higher interest rates has been devastating in British Columbia. It is estimated that gross provincial product declined by some 7 per cent in 1982, compared to a 4.4 per cent decline nationally.

Unemployment reached massive proportions, with more than 200,000 British Columbians out of work in the winter of 1982 and early 1983.

It has been a difficult winter, but there is now evidence that the economy may have turned the corner. The Canadian economy grew 1.8 per cent during the first quarter of 1983. Housing starts are recovering in both Canada and the United States, and lumber prices have risen significantly. There are signs of gathering strength in major durable goods industries such as automobiles, where sales figures have shown improvement in recent months. More generally, consumer and investor confidence appear to be returning, slowly and cautiously.

Here in British Columbia we are also seeing tentative signs of recovery. Employment growth has picked up, with 67,000 jobs created since January 1983. This is well in excess of the normal seasonal increase. Both retail sales and manufacturing shipments have also been generally rising since last fall and are now higher than the levels of early 1982.

I need not emphasize that the forecasting of economic trends and events is, at best, a precarious business. As with other forecasters, we were well off the mark in anticipating the depth of the recession. To assemble a budget, however, a forecast must be prepared. This year's budget plan is based upon a forecast of between 1.5 and 2.5 per cent growth in Gross Provincial Product for British Columbia in 1983. Although stronger growth is anticipated for 1984, it may be late in 1984, or into 1985, before economic activity returns to the level recorded in 1980.

In spite of signs of recovery, the period we are entering will not be one of easy prosperity. In fact, if we fail to do the right things, the progress we have seen to date may well disappear.

Few will be inclined to take on debt as before, consumers will be cautious, and businesses which have

reduced staff will be reluctant to rehire or expand. Faced with cautious and selective consumers, business awareness of costs and productivity will be heightened and competition will be keen.

More worrisome is the cloud of uncertainty surrounding financial markets. The recession has brought about a major increase in government borrowing, with more to come.

Unless expenditure restraint is embraced in a major way, and recognition is given to the fact that expenditure commitments are far beyond the ability of the economy and taxpayer to support on a sustained basis, the recovery could be very sluggish. In fact it could falter or even collapse.

The real danger and irony is that government borrowing demands may be excessive at a time when private sector capital needs associated with economic recovery are finally showing some strength. The potential for higher interest rates is there, and the economic risks are great.

On a more positive note, however, inflation has fallen steadily for the past year and has now reached an annual rate of 5.4 per cent in Canada and 5.1 per cent in British Columbia. Although these rates are still much higher than the standard of the 1950s and 1960s, they are the lowest we have seen in more than 10 years.

Even more promising has been the pattern of declining wage settlements reflecting, in part, government compensation and restraint initiatives. As reported by the Employers' Council of British Columbia, the average increase in contract compensation over the twelve-month period ending May 1983 was 6.8 per cent in the public sector compared to 9.9 per cent in the private sector. Moreover, in the month of May 1983 both public and private sector contract settlements averaged less than 3 per cent.

Continued restraint in wage settlements, in government and in the private sector, will be essential to a continuing decline in inflation. Lower inflation will, in turn, reduce the risk of increased interest rates and a short-lived recovery.

While many of the forces at play are not of British Columbia origin they will shape important aspects of our economic future. They will determine the health of international markets into which we sell our products, and they will affect the interest rate patterns we shall face in the future.

The strategy for British Columbia is clear. We cannot spend our way out of recession nor expose ourselves to excessive risk from higher interest rates. Similarly our industries cannot afford to be marginal suppliers in world markets, to be first bumped when economic conditions tighten. Only by focussing on restraint and productivity, can the public and private sectors return to the basic reality that prosperity must be earned.

The Compensation Stabilization Program introduced by this Government last year led the course of public policy in Canada.

The budget I am tabling in this House today represents another step in a program to rebuild the economy, to improve the balance between the public and private sector. This budget meets the commitment made to the people of British Columbia in the recent election that this government will provide the basis for private sector expansion and job creation.

III THE BUDGET FRAMEWORK

Today's budget is in some respects transitional. We remain in the shadow of recession, but recovery is beginning to be felt.

Symptomatic of the economic downturn, government revenue for the 1982/83 fiscal year declined to \$6.541 billion, a drop of 5.3 per cent from the previous year. On the expenditure side, economic dislocation resulted in a 32.9 per cent escalation in spending by the Ministry of Human Resources. By implementing a comprehensive program of restraint across government we were able to maintain funding of critical social programs, while holding overall expenditure to \$7.519 billion, a 6.1 per cent increase from 1981/82. Although the public accounts for last year have not been finalized, I now estimate the deficit for 1982/83 at \$978 million.

Given the severity of the recession and the magnitude of the revenue reduction, this represents a remarkable achievement. It is a credit to all Ministers and government managers that the deficit in such circumstances could be held below \$1 billion.

Nevertheless, government revenue will remain weak for a considerable time. In fact, removing that part of revenue growth accounted for by inflation, per capita government revenue has now declined to the level reached seven or eight years ago. A return of revenue to the peak levels reached in 1979/80 is not anticipated within the foreseeable future.

Similarly, while employment has increased in recent months, the seasonally adjusted rate of unemployment remains above 13 per cent and improvement is expected to be slow through 1983 and 1984. Fundamentally stronger international markets, an extended period of economic stability, and a superior effort at restraining costs and increasing productivity will be essential, indeed vital, to sustained recovery in British Columbia.

My overall fiscal objective is therefore to achieve a balance between the restraint which is essential for longer term recovery and the provision of funding to stimulate employment in the short term. To accommodate the competing objectives of restraint and employment creation I am combining a comprehensive program to restrain permanent expenditure with a plan to load certain future expenditures into the present year for job creation purposes.

Reviewing the expenditure plan, I can say that British Columbia's core social programs will be preserved.

In the main social policy ministries -- Attorney General; Health; Education; Human Resources; and Universities, Science and Communications -- total appropriations are proposed to increase by 8.1 per cent over last year's spending, and will account for over 70 per cent of all ministry expenditure.

Appropriations for all other ministries (excluding interest on the public debt) call for an increase of less than 1.4 per cent over 1982/83 spending, while the expenditure increase for all government ministries will be held to 6.4 per cent.

I should stress that no provision has been made in this budget for general compensation increases this year for either direct provincial employees or those in public bodies. Increases simply are not affordable in the absence of offsetting productivity increases.

In addition to ministry expenditure, provision will be made for program and project spending of \$415 million through the Employment Development Account. This employment stimulation initiative meets the commitment, made earlier this year, to provide a major expenditure injection for creation of immediate employment relief, primarily through the private sector.

The funding for the Employment Development Account is comprised of two major components: the appropriation for the current year will be \$245 million, while the remaining \$170 million will be financed through regular capital funding mechanisms and amortized over a number of years.

Most of the program represents accelerated capital expenditure which would otherwise have occurred in future years. Highways construction of \$190 million, dyking expenditures of \$12 million, agricultural projects of \$4 million and health facilities capital totalling \$170 million are being advanced to create employment when it is most needed. This government's policy of advancing capital projects during recessions also secures savings through lower construction costs, obtained through more competitive project tenders when industrial activity is slow.

Finally, \$40 million will be designated in the Employment Development Account for a series of job creation programs, again focussed on the private sector. Included among the programs to be funded are summer youth employment subsidies, funding for the NEED program to assist in employment of UIC exhaustees and welfare recipients, and a program of assistance for

unemployed apprentices. A portion of this funding will be made available for other projects to be elaborated upon in the weeks ahead.

The expenditure of funds from the Employment Development Account is creating between 15,000 and 20,000 man-years of employment in British Columbia. It will make a critical contribution to the easing of unemployment as economic recovery begins gradually to gain momentum.

The last major element of this year's expenditure plan will be the payment of interest on direct provincial debt outstanding. Total direct debt of \$2.4 billion is forecast by the end of 1983/84 and interest costs of \$181 million are anticipated for the current year.

While the Government has rejected the severe taxation increases or expenditure cuts needed to avoid the deficits of 1982/83 and 1983/84, it must nevertheless be recognized that borrowing represents either deferred taxation, or deferred expenditure reductions. Every dollar for payment of debt or interest is a dollar which must be collected in taxes, and which cannot be directed to provision of government services. The debt must be repaid, and the interest must be paid. This government's restraint program will restore balance to our fiscal affairs over the next several years.

Total consolidated revenue fund expenditure, including expenditure by ministries and government offices, initiatives under the Employment Development Account and interest costs on direct debt, is estimated for 1983/84 at \$8.445 billion. This represents a 12.3 per cent increase over last year.

Although the existing revenue base is expected to increase to \$6.669 billion, a 2.0 per cent increase over 1982/83, it is not sufficiently strong to bring revenue in line with expenditure. In fact a number of fundamental weaknesses, particularly in resource and corporation income tax revenue, will cause the revenue base to fall short of expenditures for a number of years.

Consequently, I shall be announcing a number of revenue measures in this budget. In the current year these measures will yield an estimated \$173 million and bring total revenue to \$6.842 billion, for a 4.6 per cent increase over last year.

On a consolidated revenue fund basis, expenditure is estimated to exceed revenue by \$1.603 billion in 1983/84. While the budget shortfall exceeds the \$978 million in 1982/83, this is due in part to the acceleration of employment creation expenditure.

By implementing revenue measures now it should be possible to avoid substantial tax increases in the years immediately ahead. However, it is essential that expenditure restraint continue. The choice is clear, we must either restrain our demands for government services, or be prepared to contribute more tax dollars to pay for program costs.

This Government's decision is clear, we shall restrain expenditure. We shall reduce the size of government. We shall increase productivity and keep public sector costs to a minimum. We shall not take the irresponsible course -- the course of widespread tax increases, of excessive burden of government on the economy. We shall not lead British Columbia down the path of economic decline.

IV PROGRAM OF RESTRAINT FOR RECOVERY

As I indicated a few moments ago the expenditure plan for the current year combines restraint in permanent government expenditure with accelerated funding for employment creation.

The overall focus of restraint is to eliminate unnecessary government -- but it is a positive program. In too many cases expenditure programs, which may be desirable for some groups, do not support the broader goals and aspirations of all British Columbians. Expenditure for such programs should be trimmed, and the trimming should be welcomed.

At a more general level there is a simple truth that bears repeating -- government has grown too large. Since 1971/72 the provincial government has more than doubled the amount it spends for the average British Columbian. Even after accounting for the increased expenditure resulting from inflation, there has been a 60 per cent increase in real expenditure for every man, woman and child in the province. One must surely question whether people are receiving 60 per cent more or better services from government over this period.

Governments everywhere have run up against the law of diminishing returns. The more expenditure grows the less each dollar adds in service to the public. It is time to reverse this process. It is time to strive for more with less. Productivity must become a central theme.

In pursuit of leaner, more efficient government, the fiscal plan for the next few years calls for continued staff reductions. From a base of nearly 47,000 fulltime equivalent staff authorized in April of 1982, staff reduction plans have brought government ministries down substantially. Additional progress is essential if our targets are to be met. The budget for 1983/84 will provide funding for 39,965 fulltime equivalent staff, with a further reduction planned for 1984/85.

To enhance accountability and control, the estimates of revenue and expenditure for this year contain a more comprehensive picture of government manpower than in previous years. The presentation of fulltime equivalent staff in place of the former enumeration of established positions, provides a broader and more accurate measure of staffing for each ministry.

Fulltime equivalents will also form the basis of future budgetary manpower monitoring. The required legislation will be tabled in this House shortly.

In line with staff reductions, the British Columbia Buildings Corporation will also be implementing a generalized space and cost reduction program in 1983/84. Following a comprehensive review, space standards for government offices have been reduced by 10 per cent, and standards of operation and building maintenance are being reduced where possible. This, together with lower space requirements resulting from government staff reductions, is expected to reduce accommodation costs in 1983/84 and future years.

In addition, government vehicle fleets are to decline by up to 20 per cent in 1983/84, and rules governing the use of vehicles by government employees are to be tightened.

The Compensation Stabilization Program will continue to play a central role, both in bringing down inflation and in supporting government restraint and productivity improvements. Legislation to extend and revise the program will be tabled.

The revisions will ensure that the primary consideration with respect to salary levels is the employer's ability to pay. Where increases are affordable they will be determined largely on the basis of productivity. Effective today, the program regulations will be revised to provide the range of compensation adjustments from -5 per cent to +5 per cent. This will allow significant scope for ability to pay and productivity adjustments. In addition, the program will require that the cost of salary increments be included as part of the compensation package.

Steps will also be taken in the weeks ahead to achieve greater consistency in compensation patterns among senior managers in the public sector. Deputy ministers, and other senior executives in government ministries, senior executive officers of Crown corporations, hospitals, school districts, and other agencies and institutions are to be placed within a common compensation framework.

Legislation will be tabled to allow the government to regulate individual salaries of senior executives. A small team of senior public officials will provide recommendations to Cabinet by September 15 for subsequent implementation. Until recommendations are made and adjustments can be considered, senior management salaries will remain frozen.

In several ministries, steps are being considered to improve productivity through organizational changes and consolidation. For example, the Public Service

Commission, the Government Employee Relations Bureau and the Superannuation Commission perform a number of functions that can be consolidated with a considerable saving to the taxpayer.

In the area of advertising, government publications and information services, some \$3 million in savings will be realized by an organizational consolidation. Duplication in staffing, printing equipment and advertising will be substantially reduced by the transfer of this function from individual ministries to the Ministry of Provincial Secretary and Government Services.

With respect to education, I am informed that the number of teachers employed in the public school system grew from 27,200 in 1975 to 28,200 in September 1982. Over that same period the number of pupils declined by 38,600, and the ratio of teachers to pupils grew by 12 per cent.

My colleague, the Minister of Education, will therefore be implementing a plan for reducing the ratio of teachers to pupils over a period of several years. We believe this can be accomplished while continuing to improve the quality of education in British Columbia schools.

The Minister will also be restraining costs and improving productivity through initiatives such as an improved financial management and budgeting system to be used by school districts and the ministry. With the new budgeting system it will be possible to determine more accurately the cost of providing a basic level of educational service in each district.

Savings will be effected through the elimination of the three councils involved in the allocation of college funding, and consideration will also be given to achieving further savings through amalgamation of certain school districts with small enrollments. The Minister of Education will table the legislation necessary for implementation of these and other changes.

Similar initiatives in other areas, such as the amalgamation of certain hospital boards, will also be examined.

Over the years the trend to regionalization of government operations has led to some duplication and inefficiency. This trend is to be reversed. The number of staff and amount of office space in communities

around the province will be pared, where reduction or elimination of regional offices can be achieved without loss of essential service to the public.

Budgetary adjustments have been made to reflect reduction or elimination of regional offices in the Ministries of: Forests; Provincial Secretary and Government Services; Environment; Finance; Municipal Affairs; Transportation and Highways; Consumer and Corporate Affairs; and Lands, Parks and Housing.

Years of government expansion have led to a proliferation of committees, boards, commissions and other agencies in government. In many instances this has resulted in excessive use and employment of highly paid professional staff to support regulatory processes. For example, savings will be realized by initiatives affecting:

- the Employment Standards Board in the Ministry of Labour;
- the Office of the Rentalsman in the Ministry of Consumer and Corporate Affairs;
- the Human Rights Branch and the Human Rights Commission in the Ministry of Labour;
- the Planning Branch in the Ministry of Municipal Affairs;
- Regional Resource Management Committees operating under the aegis of the Environment and Land Use Committee of Cabinet;
- the Agricultural Land Commission; and
- the Motor Vehicle Inspections Branch of the Ministry of Transportation and Highways.

My colleague, the Minister of Energy, Mines and Petroleum Resources will also be taking steps to streamline the regulatory processes of the British Columbia Utilities Commission.

In addition, legislation will be presented to remove from regional districts those planning and zoning functions which apply to municipal areas. This represents an unnecessary and inefficient duplication of functions which are performed by municipalities.

Where possible, the government intends to give the private sector the opportunity to take over functions and activities not appropriate to government. Budgetary

adjustments have therefore been made to allow the following facilities and activities to be assumed by the private sector:

- the Cypress Bowl ski facility;
- Manning Park Lodge and ski facilities;
- Pacific Coach Lines Limited;
- Beautiful British Columbia Magazine, and a number of other magazines published by ministries; and
- Tranquille and Colony institutional farms.

In speaking about privatization -- which essentially means less government and lower expenditures -- two points should be re-stated. Our job has just started. It is by no means complete now, nor will it be in the course of this fiscal year. Further, this government will continue to examine other program areas with a view to reducing cost, while at the same time maintaining essential services.

The government will invite the private sector to identify areas of government where a function can be provided less expensively by that sector. All genuine and serious proposals will be carefully reviewed and considered for future government action.

In certain areas, full privatization is neither possible nor desirable. The government will, however, reduce staffing while drawing more heavily on services offered by the private sector wherever appropriate.

Legal services to government are now largely provided by staff employed by the Ministry of Attorney General, for example. Budgetary adjustments will reduce staffing in this area, with more emphasis to be placed on private sector legal advice.

Similarly, future needs for planning analysis, architectural services, engineering services, computer systems advice and staff training services can and will be met to a greater extent by contracting with the private sector.

Many government programs are presently open-ended. Expenditure grows automatically, regardless of whether the expanding cost is affordable or desirable. When government revenue growth has been strong, the relentless expenditure growth from such programs has been supportable without major tax increases. That is no longer the case.

The budget therefore reflects initiatives to reduce, restrain or eliminate a number of open-ended programs. Further steps can be expected next year.

In the Ministry of Attorney General, the scope of the criminal injuries compensation program will be reduced substantially. My colleague, the Attorney General will table legislation to effect the required changes.

In addition, the legal aid program, jointly funded by the provincial government, the federal government, and the Law Foundation of British Columbia, will be the subject of an intensive review. The budgetary provision for this program has been held to \$13.4 million. To meet this expenditure level, program coverage will be carefully reassessed and eligibility will be limited to those most in need.

The courts and correctional systems represent another area of open-ended expenditure growth. In the case of corrections, over 40 per cent of incarcerations are now related to drinking drivers. It is becoming prohibitively expensive to keep people in jail -- at an average cost of almost \$100 per prisoner per day -- and many correctional facilities are bulging at the seams. Proclamation of certain sections of the Motor Vehicle Act will therefore be delayed pending a review of the role and effectiveness of fines, impounding of vehicles and other possible deterrents. We must examine more cost-effective methods for reducing the carnage on British Columbia roads caused by drinking drivers.

Budget adjustments will not, of course, prevent the proclamation of those sections of the Act which will allow blood tests to be taken from drivers hospitalized after an accident where alcohol may have played a role.

I am informed that consideration is also being given to increase use of minimum security prisoners for work in park maintenance, salmonid enhancement and construction of equipment and facilities for use in the public sector. Such initiatives are to be welcomed, both for the work experience gained by offenders and the reduction of costs to the taxpayer.

I should also make clear that no provision has been made in this Budget for increased costs associated with the federal Young Offenders Act. While reform and improvement in the juvenile justice system may be a laudable aim, the full implementation of the proposed changes could cost this province alone some \$60 million annually.

British Columbia takes the position that such costs are unacceptable in an era of declining government fiscal capacity. If the federal government wishes to proceed with these changes, we shall require full and permanent compensation for the expenditure demands this would place on the justice system administered by the provincial government.

As indicated in the Speech from the Throne, this government's commitment to health care is absolute. British Columbians will continue to enjoy services at a standard and quality difficult to match anywhere in North America. More fundamentally, no one in British Columbia, regardless of income, is denied access to top level medical care.

It has, however, been costly. Health expenditure has increased at an average annual rate of 17.7 per cent since 1976/77. As a share of total expenditure, spending by the Ministry of Health has increased from 24.2 per cent in 1976/77 to 29.0 per cent in 1983/84.

The proposed \$2.45 billion expenditure for the Ministry of Health represents a 7.3 per cent increase over 1982/83 levels. In addition, \$170 million in health construction projects has been advanced for employment creation and is included in the Employment Development Account.

It must be stressed that improvements in the health care system have required significant sacrifices in other areas of government. We are, I believe, reaching the limits to which other programs and government services can be constrained to support further enhancements in health care. It is time for all Canadians to assess realistically, how much more we are prepared to pay for health care services. The question must also be addressed as to the appropriate balance between the costs to be borne by the general taxpayer and by those benefiting directly from the service.

My colleague, the Minister of Health, will be taking steps to develop an overall health care strategy for the balance of the 1980s. Work is proceeding on a multi-year hospital facilities plan to ensure that British Columbia communities are provided with access to basic health and hospital care, that unnecessary duplication is avoided, and that there is consistency between communities in the standards of care offered. In order to ensure a more integrated and efficient health care delivery system the Minister will also table legislative amendments to bring the Alcohol and Drug Commission directly into the Ministry of Health.

In addition, legislation will provide the government greater control over the number and location of doctors entitled to bill the Medical Services Plan. Steps will be taken to work with the British Columbia Medical Association to review alternate ways of ensuring that individual doctors' billings to the Medical Services Plan are both fair and reasonable, and that total billings do not exceed the budget provided.

These are positive and timely initiatives, which will ensure that our health care system continues to be financially viable, while protecting the high quality and ready access to services that British Columbians want, expect and deserve.

Restraint measures in the Ministry of Human Resources should be viewed against a 1982/83 expenditure increase of 32.9 per cent. This growth reflected the dramatic increase in the number of people out of work and in need of income assistance as a result of the recession. Despite the enormous expenditure increase last year, the budget plan calls for a 1983/84 allocation of \$1.37 billion, a further increase of 13.9 per cent.

Again, the government is committed to maintaining basic and essential income assistance programs. In order to preserve such services, however, sacrifices have been required in less critical areas.

My colleague, the Minister of Human Resources, will maintain welfare rates at their current level. This government continues to believe it is better to assist more people at existing rates than to escalate payments for a restricted number of people.

I am also re-confirming today that legislation to cancel the Renters' and Provincial Personal Income Tax Credits will be presented during this Session of the Legislature.

The budget will make provision for the implementation of a program of automatic enforcement of maintenance orders. The details are to be developed and announced by the Minister of Human Resources later in the year. The objective is for automatic collection procedures to be initiated when maintenance payments for separated spouses and their children, who are clients of the GAIN program, are not forthcoming.

Another important area of open-ended expenditure growth has been the aid program for students in colleges and universities. The budget for this program will be limited to \$14.6 million in 1983/84. The Minister of Universities, Science and Communications and the Minister of Education will be implementing strict

criteria and program limits to ensure that necessary assistance is provided in the most appropriate manner.

The Minister of Lands, Parks and Housing will take steps to limit expenditure on certain housing programs. Both the rental and purchase markets have eased considerably in the past year. Consequently, the First Home Grants program will be cancelled, and the social housing rent scale is to be adjusted in relation to tenants' incomes.

Finally, the government will be taking a fresh approach to its industrial assistance programs. Too often, governments have fallen into the trap of providing grants to business, leading in many cases to a subsidized firm competing with non-subsidized firms. In other cases, firms have become subsidy-dependent -- they collapse without further infusions of money.

Consequently my colleague, the Minister of Industry and Small Business Development, will be reorganizing industrial assistance programs and giving them a focus more attuned to today's economy. The emphasis is to be on provision of risk capital at preferred rates to high technology ventures having the potential to thrive, grow and add diversity to British Columbia's economic base. To the maximum extent possible program costs will be funded by successful loan recipients. Funding for this program will come from a combination of voted expenditure and the proceeds of Housing and Employment Development Bonds.

The measures I have noted represent some of the major initiatives to be taken, but the list is not comprehensive. In every ministry, in every government office, in every Crown corporation and in every public body, restraint measures will be taken. Restraint is a top priority in the current year and can be expected to be a top priority next year.

V. REVENUE MEASURES

The deterioration in our fiscal position is not entirely recession-related. A number of fundamental changes have undermined certain major components of the revenue base -- most notably the general weakening in resource revenue, revenue losses resulting from reductions in federal transfers, and federal tax policy initiatives which have reduced the provincial tax base.

In 1979/80, for example, natural resource revenue reached \$1.32 billion. In spite of significant increases in water rental charges, by 1982/83 resource revenue had fallen to \$545 million, and is forecast to decline further to \$527 million in the current year. Although some recovery is expected over the next several years, few look for the kind of resource market strength characteristic of the boom periods in the 1970s.

Federal government transfers, which have traditionally contributed about 20 per cent of British Columbia revenue, have also been reduced substantially in recent years. For example, the federal government has implemented funding reductions for health and post-secondary education transfers costing this province \$725 million over the five year period 1982/83 to 1986/87.

In the taxation area, the provincial government is partner to the Canada-British Columbia Tax Collection Agreement, which enables corporate and individual taxpayers to file a single income tax return through Revenue Canada. Under this arrangement, the federal government collects provincial corporation and personal income taxes, the provincial government saves tax administration costs, and the taxpayer is spared the necessity of filing two income tax returns. In return, British Columbia agrees to accept the federal tax base for provincial purposes.

Here again, federal tax concessions have cost millions of dollars in foregone provincial revenue. Corporation income tax changes contained in the April 1983 federal budget, for example, will result in substantial reductions in provincial revenue for the next three to five years -- perhaps costing as much as \$180 million.

While revenue has undergone a structural erosion, expenditure pressure, particularly in the social program area which occupies over 70 per cent of the budget, has continued to grow.

After careful consideration of the government's current and forecast fiscal position, I have concluded that a

number of revenue measures are necessary. To avoid facing this reality would require acceptance of permanent borrowing and ever growing interest costs, or massive cuts in core social programs, neither of which is acceptable.

Therefore, effective midnight tonight, the Social Service Tax rate will be increased from 6 per cent to 7 per cent. This change will provide an estimated \$126 million in additional revenue this year, and some \$170 million in a full year. Even at the new rate, British Columbia's sales tax rate is as low as, or lower than, that in six of the nine other provinces.

The variable Social Service Tax rate for new automobiles will also be replaced by the new general rate of 7 per cent. With energy prices now closer to world levels, it is no longer necessary to offer a graduated Social Service Tax rate as an added incentive to purchase fuel efficient automobiles.

In announcing these changes, I must emphasize that British Columbia's exemptions from the sales tax compare extremely favourably to other provinces. Thousands of items are exempt. In fact, roughly half of the consumer dollar is exempt from sales tax. There are however, a number of items currently exempt which, in a time of restraint, are difficult to justify.

Effective midnight tonight, I shall remove two significant exemptions from the Social Service Tax:

- . meals, prepared and served on the premises, and costing \$7 or more per person, will no longer be exempt from the Social Service Tax; and
- . long distance telephone calls will no longer be exempt from the Social Service Tax.

The taxation of prepared meals and long distance calls is consistent with the practice in most other provinces. Removal of these two exemptions will generate an additional \$44 million in revenue this year, and \$60 million in a full year.

Effective midnight tonight, the tax rate on cigarettes and tobacco products is increased 25 per cent. The tax on a package of 25 cigarettes will therefore be 50 cents, again comparable to most other provinces. This change will increase revenue by \$18 million in 1983/84, and \$24 million for a full year.

I am also announcing that health co-insurance charges will be increased on September 1 of this year. A

schedule of old and new rates for acute care, extended and long-term care, emergency and day surgery charges is presented in Appendix B to the budget. The revenue from these measures is applied directly against the hospital programs appropriation in the Ministry of Health and will therefore serve to reduce hospital programs expenditure by \$12 million in 1983/84, and an estimated \$23 million in a full year.

Health care has become a \$2.45 billion expenditure program in British Columbia, representing the largest single area of government expenditure. The \$166 million increase for 1983/84 alone is much larger than the total combined budgets of the Ministry of Agriculture and Food, the Ministry of Consumer and Corporate Affairs, the Ministry of Energy, Mines and Petroleum Resources and the Ministry of Tourism.

Fees and charges in the hospital programs and long-term care area remain a relatively minor contributor to total operating costs, providing only 7.5 per cent of the \$1.7 billion annual expenditure.

Finally, I can say categorically, no British Columbian will be denied the best medical care available, regardless of income or ability to pay. That is a principle to which this government is committed. Health fees and charges will continue to be paid on behalf of those unable to afford them, and our program of premium assistance for those on low incomes will remain securely in place.

Failure to face up to restraining the enormous and growing burden of health costs on the general taxpayer could lead to the demise of universal health care -- it would be an abrogation of our responsibilities. This government is not prepared to see that happen.

Looking now at property taxes, two minor changes are to be made. First, the tax rate on rural land is to be increased from 12 to 13 mills. This change, to come into effect January 1, 1984, reflects the increased costs of providing services to rural areas. Second, the minimum property tax payable after application of the home owner grant will be raised from \$125 to \$150, effective January 1, 1984. The minimum \$1 for seniors and the handicapped remains in effect.

Major legislation to reform property taxation is also being tabled in this Legislative Session. The introduction of the variable tax rate system will allow municipal governments to establish property tax rates which reflect the sharply different patterns of real estate values among communities in the province. Most

people will of course remember the property tax problems arising out of the real estate market volatility of recent years. Under the new system, stability will be restored to property tax levels, and municipal councils will gain increased autonomy to meet the particular needs and circumstances of their communities.

In the course of extensive public meetings throughout the province last winter, it was made very clear that property tax applied to machinery and equipment has had a negative impact on many small and medium-sized businesses. To assist these firms, the present exemption for machinery and equipment of \$1,500 of assessed value is to be increased to \$50,000 of actual value. The government is also providing a new \$10,000 actual value exemption for business and industrial properties. These major changes, effective for the 1984 taxation year, will eliminate taxes paid on machinery and equipment for 15,000 businesses and will significantly reduce property tax for many other firms.

Our work in reforming the property tax system is by no means complete. Further changes to enhance the fairness, efficiency and stability of the property taxation system can be anticipated.

I wish now to comment upon the schedule of water rental charges implemented over the past 18 months. The proposed increases were to bring the cost of energy produced from hydro power developments into a more consistent relationship with the costs of producing the power and the cost of other energy sources. The major changes, scheduled to take place over three years, were introduced prior to the economic deterioration brought on by the recent recession.

In order to assist industry and other consumers of electricity during these early stages of the economic recovery, I am announcing that the significant increase scheduled to take place on January 1, 1984 will be deferred, and replaced by indexing of water rental charges for next year. This change will reduce revenue by \$16 million in 1983/84 and a further \$66 million in 1984/85.

Finally, I am announcing a change in the taxation of marked bunker fuel to encourage the growth and expansion of marine refuelling at British Columbia ports. The tax rate applied to marked bunker fuel will no longer be linked to that for clear gasoline, but will be set at a rate per litre fixed quarterly at 20 per cent of the pre-tax price. It is expected that the revenue loss from the lower tax rate will be fully offset by increases in sales volumes.

In addition, I shall provide this House with the necessary legislative amendment to ensure that imported bunker fuel is subject to taxation on a consistent basis with that supplied domestically. It will no longer be possible to avoid provincial taxation when refuelling in British Columbia with imported bunker fuel.

VI. CONCLUSION

This budget has been constructed from the twin foundations of restraint and employment creation. Growth of government is being reversed, and the private sector is encouraged to increase employment. It is a budget for recovery.

While our return to prosperity cannot precede international recovery, we cannot be passive. In the months ahead the accelerated projects and program funding from the Employment Development Account will assist the private sector to provide employment opportunities during the transition to full recovery.

Through the restraint program, longer term recovery will be secured. It will be achieved through common sacrifice and effort from all groups in British Columbia. No one group has been, or should be, singled out. All can share fairly and equitably in the costs and benefits of restraint, and all must be willing to play their part.

It is essential to recognize that this is not restraint for the sake of restraint, it is restraint for recovery -- for a return to earned prosperity. I repeat my earlier statement. Compensation increases in the absence of offsetting productivity gains are simply not affordable.

The budget provides what is needed to contain the size and burden of government so the private sector -- our major resource companies, all businesses small and large -- will have the climate needed to ensure our fragile recovery gains momentum.

The budget calls for major change. It calls for a new way of thinking about government, and about the expectations we all have. It calls for a recognition of the cost of government, a recognition that those costs have become excessive in recent years.

It calls as well for a recognition that our economic future, the future health of our economy, lies not with government but with the individual decisions we take and the demands we make. Ultimately, it is individuals who seek compensation increases and must decide what is reasonable. It is individuals who must apply themselves with ingenuity and enthusiasm if productivity is to be increased. It is, fundamentally, our approach as individual British Columbians that will determine whether government can be contained and our economy allowed to grow and prosper.

The recovery is fragile but it is within reach; if we are prepared to reduce the size and scope of government; if we are prepared to accept only those wage increases we justify through increased productivity; if we accept the importance of a sound labour-management climate.

I believe that the people of British Columbia have clearly chosen restraint and private sector job creation. I believe people have chosen the direction they wish to take, and I believe that we have the resolve to once again lead the nation in solving the economic problems of Canada today.



BUDGET TABLES

- TABLE 1 -Consolidated Revenue Fund: Operating Transactions and Net Equity, 1981/82 to 1983/84.
- TABLE 2 -Consolidated Revenue Fund: Direct Financial Requirements and Sources, 1981/82 to 1983/84.
- TABLE 3 -Direct and Guaranteed New Borrowing Requirements and Sources, 1981/82 to 1983/84.
- TABLE 4 -Consolidated Revenue Fund: Operating Revenue by Source, 1981/82 to 1983/84.
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- TABLE 6 -Special Purpose Funds Transactions, 1982/83 and 1983/84.
- TABLE 7 -Consolidated Revenue Fund: Summary of Assets and Liabilities, 1982 to 1984.
- TABLE 8 -Consolidated Revenue Fund: Sources and Application of Funds, 1981/82 to 1983/84.

TABLE 1
CONSOLIDATED REVENUE FUND
OPERATING TRANSACTIONS AND NET EQUITY
1981/82 TO 1983/84

	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84
	-----(\$ millions)-----		
Operating Transactions:			
Revenue	6,903.5	6,541.0	6,842.0
Expenditure	<u>7,087.5</u>	<u>7,519.2</u>	<u>8,445.0</u>
Increase (Decrease) in Net Equity	<u>(184.0)</u>	<u>(978.2)</u>	<u>(1,603.0)</u>
Net Equity:			
Balance-Start of Year	1,704.3	1,520.3	542.1
Increase (Decrease) in Net Equity	<u>(184.0)</u>	<u>(978.2)</u>	<u>(1,603.0)</u>
Balance-End of Year	<u>1,520.3</u>	<u>542.1</u>	<u>(1,060.9)</u>

In 1983/84, operating revenue is estimated to increase by 4.6 per cent to \$6,842 million following a decline of 5.3 per cent in 1982/83. This growth in revenue is partially due to revenue measures introduced in this budget, which add a net amount of \$173 million, or 2.6 per cent, to total revenue. The severe recession in 1982 is expected to continue to have an impact on government revenue in 1983/84.

Operating expenditure is estimated to increase by 12.3 per cent to \$8,445 million in 1983/84 following an increase of 6.1 per cent in 1982/83. The provision of essential social services, the acceleration of spending to stimulate employment and the sharp increase in interest on the public debt are significant causes of the increase in expenditure in 1983/84.

The estimated decrease in net equity of \$1,603 million in 1983/84 will result in an excess of financial liabilities over financial assets of \$1,061 million by March 31, 1984.

TABLE 2
CONSOLIDATED REVENUE FUND
DIRECT FINANCIAL REQUIREMENTS AND SOURCES
1981/82 TO 1983/84

	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84
-----(\$ millions)-----			
Financial Requirements:			
Operating Transactions:			
Revenue	6,903.4	6,541.0	6,842.0
Expenditure	7,087.4	7,519.2	8,445.0
Increase (Decrease) in Net Equity	<u>(184.0)</u>	<u>(978.2)</u>	<u>(1,603.0)</u>
Financing Transactions:			
Receipts	136.9	253.3	258.5
Disbursements	137.6	287.6	343.1
Net Source (Requirement)	<u>(0.7)</u>	<u>(34.3)</u>	<u>(84.6)</u>
Net Source of funds from (Requirement for) Working Capital Transactions	<u>183.5</u>	<u>(229.9)</u>	<u>58.8</u>
Total Direct Financial Requirements	<u>1.2</u>	<u>1,242.4</u>	<u>1,628.8</u>
Financial Sources:			
New Direct Borrowing during year	-	700.0	1,550.0
Decrease in Cash and Short-term Investments	<u>1.2</u>	<u>542.4</u>	<u>78.8</u>
Total Financial Sources	<u>1.2</u>	<u>1,242.4</u>	<u>1,628.8</u>

The government's direct financial requirements are estimated to total \$1,629 million during 1983/84. In addition to the \$1,603 million required to meet the excess of expenditure over revenue, \$85 million will be required for financing transactions. Working capital transactions are estimated to generate a cash inflow of \$59 million.

The government expects to meet its direct financial requirements by borrowing \$1,550 million during 1983/84 and by reducing the cash and short-term investments held at the beginning of the year by \$79 million.

TABLE 3

DIRECT AND GUARANTEED NEW BORROWING REQUIREMENTS AND SOURCES
1981/82 TO 1983/84

	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84
-----(\$ millions)-----			
BORROWING			
Direct Borrowing - Government	-	700.0	1,550.0
Guaranteed Borrowing ¹			
Commercial			
British Columbia Hydro and Power Authority	1,311.0	677.3	1,140.0
British Columbia Development Corporation	20.9	43.0	30.0
British Columbia Petroleum Corporation	-	30.0	-
British Columbia Place	27.1	(64.8) ²	86.0
Economic Development			
British Columbia Ferry Corporation	19.9	30.0	23.0
British Columbia Housing & Employment Development Financing Authority	-	8.0	179.0
British Columbia Railway Company	(16.4) ²	239.2	197.0
British Columbia Transit	35.0	8.4	272.0
Other	3.1	5.6	-
Social and Government Services			
British Columbia Buildings Corporation	93.0	272.5	40.0
British Columbia Educational Institutions Capital Financing Authority	110.1	82.7	81.0
British Columbia Regional Hospital Districts Financing Authority	128.1	133.0	138.0
British Columbia School Districts Capital Financing Authority	110.3	148.6	123.0
British Columbia Systems Corporation	28.9	24.2	2.0
Total Guaranteed Borrowing	1,871.0	1,637.7	2,311.0
TOTAL BORROWING	1,871.0	2,337.7	3,861.0
SOURCES			
Canada Pension Plan Investment Fund	378.2	378.3	384.0
Trusted Funds	(22.6) ³	152.6	3,477.0
Private Issues	156.4	329.5	
Public Issues	1,359.0	1,477.3	
TOTAL SOURCES	1,871.0	2,337.7	3,861.0

- ¹ Includes borrowings in U.S. funds which are included at the equivalent in Canadian dollars.
- ² Figures in parentheses represent net reductions in debt.
- ³ Repayments of Crown corporation debt to trusted funds exceeded new borrowings.

Direct and guaranteed borrowing of the government is expected to total \$3.86 billion in 1983/84. Of this total, \$1.55 billion is direct borrowing to be used for government operations. The remaining \$2.3 billion is guaranteed borrowing. Approximately one-half of this will be used to fund capital expenditures of the British Columbia Hydro and Power Authority.

Public issues are expected to be the major source of funds in 1983/84.

TABLE 4
CONSOLIDATED REVENUE FUND
OPERATING REVENUE BY SOURCE
1981/82 to 1983/84

	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84	Increase (Decrease) 1982/83-1983/84
	-----(\$ millions)-----			(per cent)
TAXATION REVENUE				
Personal income	1,848.2	2,008.2	1,877.0	(6.5)
Corporation income	580.0	180.2	226.0	25.4
Social service	1,129.5	997.0	1,225.0	22.9
Fuel	371.4	389.3	420.0	7.9
Other	287.6	283.2	314.0	10.9
	<u>4,216.7</u>	<u>3,857.9</u>	<u>4,062.0</u>	5.3
NATURAL RESOURCE REVENUE				
Petroleum and natural gas	356.9	228.8	179.0	(21.8)
Minerals	62.4	32.5	34.0	4.6
Forests	106.7	85.7	131.0	52.9
Water	65.0	187.4	172.0	(8.2)
Other	6.6	10.9	11.0	0.9
	<u>597.6</u>	<u>545.3</u>	<u>527.0</u>	(3.4)
OTHER REVENUE				
Sales and services	178.4	157.6	162.0	2.8
Licences and permits	145.3	146.1	156.0	6.8
Interest	211.5	113.3	70.0	(38.2)
Miscellaneous	97.7	79.5	78.0	(1.9)
	<u>632.9</u>	<u>496.5</u>	<u>466.0</u>	(6.1)
CONTRIBUTIONS FROM GOVERNMENT ENTERPRISES	<u>326.5</u>	<u>338.9</u>	<u>355.0</u>	4.8
CONTRIBUTIONS FROM FEDERAL GOVERNMENT				
Established Programs Financing	643.9	652.4	793.0	21.6
Canada Assistance Plan	320.2	462.0	490.0	6.1
Other	118.2	111.4	149.0	33.8
	<u>1,082.3</u>	<u>1,225.8</u>	<u>1,432.0</u>	16.8
NON-RECURRING REVENUE	<u>47.4</u>	<u>76.6</u>	-	-
TOTAL OPERATING REVENUE	<u>6,903.4</u>	<u>6,541.0</u>	<u>6,842.0</u>	4.6

Consolidated Revenue Fund operating revenue for 1983/84 is estimated to total \$6,842 million, including estimated revenue of \$173 million resulting from the revenue measures announced in the Budget. Operating revenue is estimated to increase by 4.6 per cent in 1983/84, compared to a decline of 5.3 per cent in 1982/83.

Taxation revenue is estimated to increase by 5.3 per cent with the estimated decline in personal income tax revenue more than offset by increased revenue from other taxes. Corporation income tax revenue is estimated at \$226 million, up 25.4 per cent from 1982/83 but still less than one-half of the level in 1981/82.

Natural resource revenue is estimated to decrease by 3.4 per cent. The sharp increase in forest revenue is partly offset by estimated declines in petroleum and natural gas revenue and water rental revenue. Other revenue is estimated to decline by 6.1 per cent in 1983/84 primarily as a result of an expected decline in interest earnings.

Contributions from the federal government are estimated to increase by 16.8 per cent in 1983/84 as a result of increases in contributions related to Established Programs Financing, due partly to the effect of negative prior year adjustments in 1982/83 and partly to the effect of a decline in the value of the tax point portion of the transfer in 1983/84. Federal contributions also include revenue to be received for the first time from the Reciprocal Taxation Agreement and an expected federal payment under the fiscal stabilization program.

TABLE 5

CONSOLIDATED REVENUE FUND
OPERATING EXPENDITURE BY MINISTRY
1981/82 TO 1983/84

	Actual ¹ 1981/82	Preliminary Actual ² 1982/83	Estimate 1983/84	Increase (Decrease) 1982/83 - 1983/84
	-----(\$ millions)-----			(per cent)
Legislation	6.6	7.1	7.6	7.0
Auditor General	2.8	3.1	3.2	0.3
Ombudsman	1.5	1.6	1.6	(0.5)
Premier's Office	0.8	0.7	0.7	(0.5)
Agriculture and Food	107.8	81.0	81.7	0.8
Attorney General	274.4	311.6	330.2	5.9
Consumer and Corporate Affairs	18.3	19.4	19.1	(1.3)
Education	1,202.9	1,314.7	1,406.7	7.0
Energy, Mines and Petroleum Resources	29.6	23.6	25.6	8.5
Environment	89.3	85.5	82.9	(3.0)
Finance	110.1	177.4	333.5	88.0
Forests	232.0	232.8	242.6	4.2
Health	2,063.9	2,284.1	2,450.0	7.3
Human Resources	912.6	1,201.6	1,368.3	13.9
Industry and Small Business Development	173.8	116.7	140.9	20.7
Intergovernmental Relations	2.4	2.5	2.4	(1.3)
Labour	59.1	57.7	58.9	2.0
Lands, Parks and Housing	98.7	104.2	100.3	(3.7)
Municipal Affairs	293.4	250.3	220.9	(11.7)
Provincial Secretary and Government Services	220.2	247.1	259.8	5.2
Tourism	16.0	7.5	5.9	(20.4)
Transportation and Highways	644.6	556.7	569.1	2.2
Universities, Science and Communications	359.6	387.4	389.4	0.5
Other	71.2	-	-	-
Employment Development Account	-	27.7	245.0	783.2
Sub Total - General Fund	6,991.6	7,502.0	8,346.3	11.3
Special Purpose Funds Expenditure ³	95.9	17.2	98.7	473.8
TOTAL OPERATING EXPENDITURE	7,087.5	7,519.2	8,445.0	12.3

¹ For comparability purposes, expenditure for 1981/82 from Special Purpose Funds which were dissolved by the Special Appropriations Act has been included with the appropriate ministries. Expenditure for transit has been included with the Ministry of Human Resources.

² For comparability purposes, 1982/83 General Fund expenditure has been restated to a basis consistent with the 1983/84 Estimates. A detailed reconciliation to the 1982/83 Estimates structure is provided in Schedule B of the 1983/84 Estimates.

³ Special Purpose Fund expenditure is shown net of transfers with the General Fund.

Consolidated Revenue Fund operating expenditure for 1983/84 is estimated to total \$8,445 million, an increase of 12.3 per cent from 1982/83.

The ministries of Health, Education and Human Resources account for more than 60 per cent of total expenditure. Of these, the Ministry of Human Resources has the largest increase in estimated expenditure at 13.9 per cent.

Expenditure by the Ministry of Finance is estimated at \$334 million in 1983/84, an 88 per cent increase from 1982/83. This results from the large increase in interest payments associated with the increase in direct public debt.

Employment Development Account expenditure (excluding accelerated health capital projects of \$170 million) is estimated at \$245 million, up \$217 million from 1982/83. This increase reflects the acceleration of highway, dyking and agricultural project spending for employment stimulation purposes.

TABLE 6
SPECIAL PURPOSE FUNDS TRANSACTIONS
1982/83 AND 1983/84

	----- Revenue -----		----- Expenditure -----		Estimated Balance At March 31, 1984
	Preliminary Actual 1982/83	Estimate 1983/84	Preliminary Actual 1982/83	Estimate 1983/84	
	-----(\$ millions)-----				
British Columbia Cultural	1.6	1.5	1.6	2.0	19.9
Dairy Producers' Protection	-	-	-	-	-
Farm Income Assurance	56.6	63.8	60.6	63.8	(1.9)
First Citizens'	2.1	1.8	2.6	2.5	26.3
Habitat Conservation	1.4	1.4	0.7	1.2	0.4
Industrial Development Subsidiary Agreement Loan Repayment Revolving Fund	14.6	5.6	4.7	2.8	30.4
Lottery	27.5	32.0	30.2	60.6	-
Physical Fitness and Amateur Sports	1.6	1.6	1.1	2.7	20.0
Resource Revenue Stabilization	544.0	525.6	544.0	525.6	-
Revenue Sharing	<u>235.0</u>	<u>210.0</u>	<u>209.6</u>	<u>210.0</u>	<u>30.9</u>
Sub Total	884.4	843.3	855.1	871.2	126.0
Less: transfers between the General Fund and Special Purpose Funds	<u>(837.9)</u>	<u>(772.5)</u>	<u>(837.9)</u>	<u>(772.5)</u>	<u>-</u>
TOTAL SPECIAL PURPOSE FUNDS	<u>46.5</u>	<u>70.8</u>	<u>17.2</u>	<u>98.7</u>	<u>126.0</u>

Special Purpose Funds revenue, net of transfers between the General Fund and Special Purpose Funds, is estimated to be \$71 million in 1983/84, up 52 per cent from 1982/83. Estimated net expenditure of the Special Purpose Funds is \$99 million in 1983/84, compared to \$17 million in 1982/83. The estimated balance of cash and other assets in the Special Purpose Funds at March 31, 1984 is \$126 million.

Resource Revenue Stabilization Fund revenue will be fully transferred to the General Fund in 1983/84, as it was in 1982/83. In future, this fund will be used to absorb fluctuations in resource revenue, building a balance in years when revenue is strong for use in subsequent periods of weakness.

Lottery Fund estimated expenditure for 1983/84 of \$61 million is intended to reduce the fund balance to zero by the year end, based on estimates of revenue for 1983/84 and the preliminary fund balance at March 31, 1983.

The estimated unexpended balance in the Revenue Sharing Fund at March 31, 1984 of \$31 million arose mainly in 1982/83 as a result of lower than expected requirements for conditional grant programs. This balance will be available in future years for disbursement to the municipalities.

TABLE 7
CONSOLIDATED REVENUE FUND
SUMMARY OF ASSETS AND LIABILITIES
1982 TO 1984

As at March 31,	Actual 1982	Preliminary Actual 1983	Estimate 1984
	----- (\$ millions) -----		
ASSETS			
Cash and short-term investments	832.1	289.7	210.9
Accounts receivable	381.0	592.1	615.2
Inventories	38.1	45.2	50.4
Prepaid program costs	34.2	89.0	87.5
Mortgages receivable	184.2	250.3	291.9
Loans and advances	341.1	335.2	356.6
Property under development	66.0	76.1	97.7
Other assets	<u>370.4</u>	<u>353.1</u>	<u>353.1</u>
	<u>2,247.1</u>	<u>2,030.7</u>	<u>2,063.3</u>
LIABILITIES			
Accounts payable	473.8	526.8	600.0
Deferred revenue	69.8	78.6	91.0
Gross direct debt	<u>183.2</u>	<u>883.2</u>	<u>2,433.2</u>
	<u>726.8</u>	<u>1,488.6</u>	<u>3,124.2</u>
NET EQUITY (NET DEBT)	<u>1,520.3</u>	<u>542.1</u>	<u>(1,060.9)</u>
	<u>2,247.1</u>	<u>2,030.7</u>	<u>2,063.3</u>
TRUST FUNDS UNDER ADMINISTRATION			
Superannuation and pension funds	3,965.7	4,827.8	5,600.0
Trust funds	<u>3,139.0</u>	<u>3,069.8</u>	<u>3,400.0</u>
	<u>7,104.7</u>	<u>7,897.6</u>	<u>9,000.0</u>
CONTINGENT LIABILITIES			
Guaranteed debt	<u>9,943.4</u>	<u>11,074.0</u>	<u>13,400.0</u>

At March 31, 1984, it is estimated that the financial assets of the government will total \$2,063 million. Financial liabilities of the government are estimated to total \$3,124 million, up from March 31, 1983 mainly as a result of the estimated increase in the government's direct debt in 1983/84. The excess of financial liabilities over financial assets, or net debt, is estimated to total \$1,061 million.

Trust funds under administration do not form part of the Consolidated Revenue Fund and are not subject to appropriation by the Legislature. It is estimated that they will increase to \$9 billion by March 31, 1984.

Guaranteed debt is the debt of Crown corporations and agencies, local governments, and other enterprises, which is guaranteed by the provincial government as to principal, premium and interest. Guaranteed debt is estimated to increase to \$13.4 billion by March 31, 1984.

TABLE 8
CONSOLIDATED REVENUE FUND
SOURCES AND APPLICATION OF FUNDS
1981/82 TO 1983/84

	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84
	-----(\$ millions)-----		
Sources of Funds			
New Direct Borrowing	<u>-</u>	<u>700.0</u>	<u>1,550.0</u>
Financing Transaction Receipts			
Mortgages	25.4	57.5	46.9
Loans and advances	59.3	120.6	141.5
Sales of property	15.6	28.2	18.9
Repayments under Housing Initiative Program	3.8	11.0	51.2
Other investments	32.8	36.0	-
	<u>136.9</u>	<u>253.3</u>	<u>258.5</u>
Decrease in Working Capital	<u>184.7</u>	<u>312.5</u>	<u>137.6</u>
Total Source of Funds	<u>321.6</u>	<u>1,265.8</u>	<u>1,946.1</u>
Application of Funds			
Excess of Operating Expenditure over Revenue	<u>184.0</u>	<u>978.2</u>	<u>1,603.0</u>
Financing Transaction Disbursements			
Mortgages	26.6	123.6	88.5
Loans and advances	8.4	125.7	214.1
Purchases of property	12.0	38.3	40.5
Other investments	90.6	-	-
	<u>137.6</u>	<u>287.6</u>	<u>343.1</u>
Total Application of Funds	<u>321.6</u>	<u>1,265.8</u>	<u>1,946.1</u>
Change in Components of Working Capital			
Increase (decrease) in cash and short-term investments	(1.2)	(542.4)	(78.8)
Increase (decrease) in accounts receivable	78.8	211.1	23.1
Increase (decrease) in prepaid program costs	34.2	54.8	(1.5)
Decrease (increase) in accounts payable	(234.2)	(54.0)	(43.2)
Decrease (increase) in accrued interest	1.0	1.0	(30.0)
Net change in other current assets and liabilities	<u>(63.3)</u>	<u>17.0</u>	<u>(7.2)</u>
Total increase (decrease) in Working Capital	<u>(184.7)</u>	<u>(312.5)</u>	<u>(137.6)</u>

This table sets out the major flows of funds for 1983/84. Expected borrowing of \$1,550 million will enable the government to meet its financial requirements.

The estimated decrease in working capital for 1983/84 is less than one half of the 1982/83 level, due primarily to a smaller reduction of cash and short-term investments.

GLOSSARY OF TERMS

Assets - are financial claims of the government upon outside parties and items held for resale. Specific assets include cash and short-term investments, accounts receivable, inventories, prepaid program costs, mortgages, loans and advances made by the government, investments held by the government and property held for development. Fixed assets such as buildings, roads and bridges, furniture and most Crown land are reported at a nominal value of \$1.

Cash and Short-Term Investments - include investments and short-term interest-bearing deposits held to meet the day-to-day obligations of the government.

Consolidated Revenue Fund - consists of the General Fund and Special Purpose Funds. The General Fund comprises the main operating accounts of the government. Special Purpose Funds represent earmarked revenues and funds set aside from the General Fund for specific purposes.

Deferred Revenue - consists of amounts received prior to a year end that will be earned and recorded as revenue in future years. For example, if the government received a payment on January 1, 1983 to cover the rent of Crown land for a six month period, the portion of the payment attributable to April, May and June of 1983 would be recorded as deferred revenue in the fiscal year 1982/83 and would not be recorded as revenue until 1983/84.

Expenditure - consists of the obligations incurred by the government for goods, services and grants during the fiscal year. Under the modified accrual accounting policy of the government, expenditure is recorded when the expense is incurred rather than when a cash payment is made, with the exception of expenditure for certain employee benefits including sick leave and vacation which is recorded when paid.

Financing Transactions - affect the structure of assets and liabilities but are not considered to be revenue or expenditure and therefore do not affect net equity. For example, the British Columbia Home Program provides interest-free mortgage loans to home owners. When a loan is issued, the cash balance of the province is reduced while mortgage assets are increased. When the home owner repays the mortgage principal, cash balances are increased and mortgage assets are decreased.

Gross Direct Debt - consists of funds borrowed by the government to finance its operating requirements or to facilitate cash management.

Guaranteed Debt - consists of funds borrowed by government enterprises, local governments or others, which are guaranteed by the government as to principal, premium if any, and accrued interest outstanding. Most capital expenditure by Crown corporations and public bodies (other than municipalities) is financed through debt guaranteed by the government.

Liabilities - are claims payable by the government to outside parties, including accounts payable for goods, services and grants, deferred revenue and gross direct debt.

Net Equity - is the excess of financial assets over financial liabilities of the government at a particular point in time. A negative number for net equity is sometimes referred to as net debt, or deficiency, and indicates that financial liabilities exceed financial assets. The change in net equity is the difference between revenue and expenditure during a particular accounting period.

Operating Transactions - include revenue and expenditure transactions of the government, reported in accordance with the modified accrual basis of accounting.

Prepaid Program Costs - consist of payments disbursed prior to the year end for program costs that will be incurred and recorded as expenditure in future years.

Revenue - consists of money earned by the government from taxation, resource levies, fees and licences, fines and penalties, interest, profits from government enterprises and contributions arising from agreements with other governments. Under the modified accrual accounting policy of the government, revenue is reported when earned rather than when received, with the exception of taxes on income and federal contributions for Established Programs Financing which are reported when received because of the uncertainty involved in their estimation.

Trust Funds Under Administration - are funds held and administered by the government for third parties but are not subject to appropriation by the Legislature. Included are trust deposits, superannuation and pension funds, sinking funds and miscellaneous trust funds. The term trustee funds refers to sinking funds and superannuation and pension funds only.

Working Capital - consists of short-term assets less short-term liabilities and is equal to the sum of cash and short-term investments, accounts receivable, inventories and prepaid program costs less the sum of accounts payable and deferred revenue.

Working Capital Transactions - arise from operating transactions which involve a working capital item other than cash and short-term investments and from cash payments which pertain to future years. The total change in the cash balance of the government is equal to the sum of operating transactions, financing transactions and working capital transactions.

APPENDICES

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APPENDIX A

ECONOMIC OUTLOOK FOR BRITISH COLUMBIA

Overview

In early 1983 the British Columbia economy began to recover from the longest and most severe recession since the 1930s. This economic upturn was initiated by an increase in lumber exports, generated by the resurgence of the United States housing market. Although the recovery is at an early stage and its speed and durability are uncertain, employment has risen by 1.8 per cent since December 1982, the lowest point of the cycle. The government forecasts that the expansion of the provincial economy will broaden and gain momentum through the remainder of 1983 and 1984.

British Columbia was more seriously affected by the 1981-82 recession than most other regions of North America. There are two major reasons for this discrepancy.

First, British Columbia relies heavily on exports of its forest and mineral products. High interest rates, caused by the restrictive monetary policy introduced by the United States in late 1979, seriously affected the demand for interest-sensitive goods such as housing and automobiles. As a result, British Columbia experienced declining commodity exports and falling employment in the resource sector during 1981 and 1982.

Second, British Columbia maintained rapid growth in 1980, when most of North America experienced a brief recession. Economic activity in the province reached an unsustainable level in 1981 and therefore declined more steeply in 1982.

The External Environment

A modest recovery began in the United States and Canada in the first quarter of 1983. The most visible sign of the United States recovery is the sharp increase in housing starts following four consecutive years of decline. In Canada real Gross National Product increased in the first quarter of 1983, following six quarters of decline, and employment in May was 1.9 per cent higher than its trough in November 1982. Interest rates in both countries have eased considerably since August 1982 and inflation is at its lowest level in more than a decade. However, real interest rates (the difference between nominal interest rates and the rate of inflation) are expected to remain high, dampening the rate of economic recovery.

The government's economic forecast assumes that growth in the United States will average 3.0 per cent in 1983 and 5.5 per cent in 1984, while Canadian growth will be 1.5 per cent in 1983 and 4.8 per cent in 1984. There are three reasons why the rate of recovery in both economies is expected to be more modest than that experienced during previous recoveries. First, business investment will probably remain weak until mid-decade because of substantial unused capacity and severely weakened financial positions. Second, industrial economies have become more dependent on exports to developing and petroleum-exporting countries. These countries face severe financial difficulties and therefore are expected to reduce imports. Third, central government policies are more restrictive than in previous recoveries, because of concerns about the size of government deficits and a possible resurgence in inflation.

The recovery is expected to continue for several years with only a moderate increase in inflation, provided that monetary policy continues to accommodate growth without providing over-stimulation. Nevertheless, as a result of weak liquidity and fears of a resurgence in interest rates, consumer spending will probably be restrained during 1983 and businesses are likely to delay rehiring employees and rebuilding inventories until they are certain of improvements in demand.

British Columbia Outlook

Just as the recession in British Columbia was induced by declining foreign demand for resource products, the recovery has been initiated by rising lumber exports. Demand for copper, British Columbia's major metallic mineral, has strengthened already and upturns for other metals, coal and pulp and paper are expected later in 1983 or in 1984. Domestic consumer demand is not expected to show significant strength until 1984, while investment will probably not return to normal levels until 1985.

Real output in the province is estimated to have declined by 7.0 per cent in 1982 and is forecast to increase by 2.0 per cent in 1983, and 6.0 per cent in 1984 (See accompanying table). Because of the rapid decline during 1982, economic activity at the beginning of 1983 was at a much lower level than the average for 1982. Therefore, although the economy is forecast to expand by about 6.0 per cent between the fourth quarter of 1982 and the fourth quarter of 1983, this translates into an increase of only 2.0 per cent in the annual average.

The rate of inflation, as measured by the increase in the Consumer Price Index for Vancouver, has declined rapidly since 1981 and is expected to decline further. Wage settlements, which persisted at a high level until the spring of 1982 and weakened the competitiveness of British Columbia's industries, have now declined sharply due to the combined effect of the weak employment situation and the provincial government's Compensation Stabilization Program.

Retail sales declined in 1982 (before adjustment for inflation) by 1.9 per cent, reflecting very weak growth in personal income. The increase in retail sales in 1983 is expected to be relatively modest with activity strengthening in 1984.

Total capital investment, which declined in 1982 after several years of strong growth, is expected to decline further in 1983 and then increase in 1984. Business investment has declined in response to the low rate of capacity utilization and to very weak corporate liquidity, both caused by the sharp decline in demand during the recession. Residential construction also declined in 1982 from the record level of 1981, due to reduced in-migration and the weakened financial position of individuals. Housing starts have recently increased in British Columbia but are not expected to reach the 1981 peak level within the forecast period.

The most prominent sign of the recession for most British Columbians was the sudden rise in unemployment. The seasonally-adjusted unemployment rate increased from 6.1 per cent in July 1981 to 14.7 per cent in December 1982. During this period, the number of persons employed in the province dropped by 8.1 per cent. This trend was reversed at the beginning of 1983 and employment is expected to rise fairly steadily through the year, although the annual average level of employment is forecast to be unchanged from 1982. Employment growth is expected to accelerate in 1983 and continue in 1984, but because of continued growth in the labour force, the unemployment rate will remain high.

British Columbia Economic Indicators

	1981	1982	1983 ^f	1984 ^f
	(Annual percentage change unless otherwise specified)			
Real Gross Domestic Product	2.0 ^P	-7.0 ^P	2.0	6.0
Vancouver Consumer Price Index	14.3	10.5	5.8	5.3
Retail Sales	13.5	-1.9	8.5	11.0
Capital Investment	24.9	-15.5	-6.7	15.0
Population 15 and Over	3.0	2.0	1.3	1.4
Labour Force	4.6	0.7	1.6	2.3
Employment	4.7	-5.1	0.0	3.9

Other Forecasts of Real Gross Domestic Product

Conference Board of Canada	-6.7 ^P	2.9	6.6
Royal Bank of Canada	-6.9 ^P	2.1	5.3

^P preliminary
^f forecast

Outlook by Sector

While the impetus for recovery in British Columbia has come primarily from the wood products sector, a secondary source of strength for 1983 is expected to be metallic mineral production. Other sectors are not expected to contribute significantly to growth in real output until 1984.

It is forecast that the output of the primary sectors of the economy will expand by 5.6 per cent in 1983, and 10.0 per cent in 1984, after a decline of 6.9 per cent in 1982. Forestry will account for most of this increase, due to a strong recovery in demand for wood products. United States housing starts, the major source of lumber demand, are forecast to increase by 50 per cent in 1983 to 1.6 million units. As markets for other durable goods begin to improve, strength can be expected in minerals, mainly copper. Other minerals and mineral fuels are not expected to show significant growth until 1984.

Manufacturing industries, which experienced a decline estimated at 7.3 per cent in 1982, are forecast to grow by 3.9 per cent in 1983 and 8.0 per cent in 1984, led in both years by the wood products sector. The paper and allied products sector, which tends to lag behind trends in general economic activity, is expected to decline further in 1983 before experiencing growth in 1984. Secondary manufacturing is forecast to grow modestly in 1983 and more rapidly in 1984.

The construction industry experienced a sharp decline in output in 1982 as a result of the downturn in investment, and complete recovery is not expected until 1984. The construction industry would have declined much further in the absence of the government-sponsored North East Coal and British Columbia Place projects, which have added significantly to output and employment.

Utilities experienced a decline estimated at 5.0 per cent in 1982 due to falling demand from both residential and business customers. This sector is expected to show no growth for 1983 and to recover to the 1981 level of activity in 1984.

The output of service-producing industries declined by an estimated 5.3 per cent in 1982, due to weakness in retail and wholesale trade, in finance, insurance and real estate and in community, business and personal services. Modest growth is forecast for 1983, with a stronger performance expected in 1984.

Alternative Forecasts

The forecast described in the previous sections represents the provincial government's assessment of the most likely course of events through 1984 and is similar to forecasts of other agencies (see Table). External economic or political events could change this outlook considerably.

The behaviour of financial markets and particularly interest rates has been identified as a major uncertainty which could significantly affect economic events. An unfavourable reaction by financial markets to large government deficits in the United States and Canada could reverse the decline in interest rates and delay recovery in the interest-sensitive sectors of the economy. On the other hand, if the United States Federal Reserve Board allows interest rates to fall more than expected, the result would be a stronger recovery in the United States and British Columbia in 1983. Unfortunately, this would probably cause more inflation in future years. While the probability of either alternative occurring is significant, it is considered to be less than that of the main forecast.

REVENUE MEASURES

TABLE B1
SUMMARY OF REVENUE MEASURES

	Effective Date	1983/84 Revenue Effect (\$ millions)
Gasoline (Coloured) Tax Act		
Tax on marked bunker fuel changed to a cents per litre tax based upon 20 per cent of the selling price of marked bunker fuel	Immediate	--
Home Owner Grant Act		
Minimum real property taxes increased to \$150 from \$125 per year	Jan.1/84	+ .2
Social Service Tax Act		
Increase in general rate to 7 per cent from 6 per cent	Immediate	+ 126.0
Variable rates for automobiles replaced by a single rate equal to the general rate	Immediate	--
Removal of exemption for prepared meals of \$7.00 and over served on the premises	Immediate	+ 15.0
Removal of exemption for long distance telephone calls	Immediate	+ 29.0
Taxation (Rural Area) Act		
Tax rate is increased to 13 mills from 12 mills on land defined as rural	Jan.1/84	+ .6
Tobacco Tax Act		
Tax rate increased 25 per cent on cigarettes and other tobacco products	Immediate	+ 18.0
Commissions paid to collectors limited to \$5,000 per collector	Immediate	+ .4
Water Act		
Previously announced rate increase replaced by an indexed increase	Jan.1/84	- 16.0
Net Revenue Increase		<u>+173.2</u>

SUPPLEMENTARY INFORMATION

Gasoline (Coloured) Tax Act

Effective budget night, the current tax calculation for marked bunker fuel, which is based upon the tax rate on clear gasoline, is replaced by a cents per litre tax at 20 per cent of the surveyed pre-tax selling price of marked bunker fuel. The effect of this change will be to reduce the tax on marked bunker fuel. No loss in revenue is expected because marked bunker sales are projected to increase as a result of the tax decrease.

Home Owner Grant Act

The Home Owner Grant Act provides for the payment of a \$380 grant to reduce the total real property taxes of eligible homeowners. It also provides for a supplementary grant of \$250 to eligible homeowners who are 65 years of age or over, or who are handicapped.

Effective January 1, 1984 the minimum amount of tax payable, after the deduction of the homeowner grant, will be increased from \$125 to \$150 for those not receiving a supplementary homeowner grant. This new minimum will affect 50,000 properties. The minimum for senior citizens and others eligible for the supplementary grant will remain at \$1.

Social Service Tax Act

Increase in General Rate

The new general rate of 7 per cent, effective budget night, will place British Columbia more in line with other provinces as seven provinces will now have a general rate equal to or greater than 7 per cent. The tax rates on accommodation under the Hotel Room Tax Act, and liquor are unchanged.

Removal of Exemptions

The taxation of prepared meals and long distance telephone calls is consistent with the sales tax base elsewhere in Canada. Prepared meals now subject to tax are those that are (a) served on the premises, (b) priced (including non-alcoholic beverages) at \$7.00 or more.

Taxation (Rural Area) Act

Effective January 1, 1984, the tax rate on rural land is increased from 12 mills to 13 mills.

The mill rate was last increased in 1982. There are approximately 243,000 rural land properties. The higher rate will result in a \$10 annual tax increase for the average rural land property.

Tobacco Tax Act

Effective budget night the tax rates applied to tobacco products are increased 25 per cent. The new tax rate of 50¢ per package of 25 cigarettes remains lower than that in six other provinces. The indexing formula, under which tobacco tax rates are adjusted semi-annually, will be maintained.

The limiting of commissions paid to individual collectors to \$5,000, effective for the July reporting period, will ensure greater consistency between the Tobacco Tax Act and the Social Service Tax Act.

Water Act

Current regulations under the Water Act provide for a 43 per cent increase in water rental fees effective January 1, 1984, which could have caused a 5.5 per cent electricity rate increase. The regulations will be amended to replace the scheduled increase in water rental fees with an annual indexing adjustment.

HEALTH CHARGES

Health facilities in British Columbia levy charges for patients in acute, extended or long-term care, for emergency visits, and for day surgery. Revenue is collected directly by the facilities and used to offset operating expenses.

The increases in these charges outlined below are intended to cover a portion of the increase in costs and will raise an additional \$12 million in 1983/84 and \$23 million in a full year.

	<u>Current Rate</u>	<u>Date of Last Increase</u>	<u>New Rate</u>	<u>Effective Date</u>
Acute Care	\$7.50/day	April 1/82	\$8.50/day	Sept. 1/83
Extended and Long-Term	\$11.50/day	April 1/82	\$12.75/day	Sept. 1/83
Emergency/Minor Visits	\$4.00/visit	April 1/82	\$10/visit	Sept. 1/83
Day Surgery	\$7.00/visit	April 1/82	\$8.00/visit	Sept. 1/83

APPENDIX C

THE 1983 PROPERTY TAX REFORMS

In 1983, after an extensive period of consultation with property owners and local governments, the provincial government initiated a comprehensive package of reforms to the property tax system. The major reform is the introduction of a variable tax rate system. Other reforms are the provision of tax relief to small business, changes to dates in the assessment cycle to provide for more accurate assessments, a move to biennial (every second year) assessments for most properties, simplification of the tax calculation, and other administrative changes to increase the equity of the assessment and taxation systems.

Background to the Reforms

Prior to the 1983 reforms, the tax payable on a particular property was determined by a combination of factors: the market value of the property, the provincially-determined percentage of the property's value that was taxable, provincial, municipal, and other taxing authorities' decisions regarding the amount of property tax to be raised, and the amount of the provincial Home Owner Grant. (see Chart C1.)

This method of determining property taxes was designed to allow governments to stabilize the level of taxes for each property class in conditions of changing property values. The provincial government could offset province-wide changes in the value of one class which were different than the province-wide changes in value of another class by adjusting the taxable percentage among the various classes. Changes in property values in specific areas, which were uniform for all classes of property, could be offset by adjustments to local mill rates. Unfortunately, this system did not prove flexible enough to enable either level of government to offset large swings in specific classes which occurred in some areas of the province. Changes of this nature resulted in unintentional shifts in the distribution of the property tax burden between classes; the proportion of tax paid by some classes declined while that paid by others increased.

This situation was particularly pronounced in 1981 and 1982. Residential property values rose very quickly in some parts of the province, while non-residential property values and residential values in other parts of the province rose less quickly. The provincial government responded by lowering the taxable percentage of property value for residential property and raising that for most other classes. Local governments responded by altering their mill rates. However, as a result of the complex nature of these fluctuations in property value, these corrective measures were not sufficient. In many communities, taxes on non-residential properties rose sharply while taxes on residential properties declined or remained stable.

When it became apparent that similar problems would occur in 1983 if action were not taken, the government acted to introduce variable tax rates and other reforms which had been developed through the consultative process.

CHART C1
COMPARISON OF MUNICIPAL PROPERTY TAX DETERMINATION
BEFORE AND AFTER THE 1983 REFORMS

A. PRE-REFORM PROCEDURE

Taxation Procedure

Actual X Value	Percentage of Value Taxed	= Assessed Value	Assessed Value	X Mill Rate	-	Home Owner Grant	= Tax
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Description of Procedure

Reflects the market value of property	Set by the provincial government and varied for differ- ent types of property		Set by local governments. Same rate must apply to all classes			Determined by the provincial government	
--	---	--	---	--	--	--	--

Example: House

\$100,000	X	10%	=	\$10,000	\$10,000 x 100 mills*	Less \$380	=	\$620
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Example: Store

\$100,000	X	24.5%	=	\$24,500	\$24,500 x 100 mills*		=	\$2,450
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B. POST REFORM PROCEDURE

Taxation Procedure

Actual Value		Assessed Value	x	Tax Rate	-	Home Owner Grant	= Tax
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Description of Procedure

Reflects the market value of property.		Equals Actual Value		Set by local governments and variable by class		Determined by the provincial government	
--	--	---------------------------	--	---	--	--	--

Example: House

\$100,000		\$100,000 x \$10 per \$1,000 *		Less \$380	=	\$620
-----------	--	-----------------------------------	--	------------	---	-------

Example: Store

\$100,000		\$100,000 x \$24.50 per \$1,000 *			=	\$2,450
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* Rates shown are examples only.

The 1983 Reforms

1. Variable Tax Rates

The method chosen to provide ways and means to avoid unintended shifts in taxation between classes of property is to allow for the taxation of each class of property with a separate tax rate.

For municipal taxation purposes, this means that each municipality, rather than setting a single tax (mill) rate to be applied to all eight classes of property, will be authorized to set a separate tax rate on each of the eight classes of property within its jurisdiction.

This provision will allow municipalities to adjust for changes in the assessed values of different classes of property, thereby providing ways and means to maintain a fair, stable and predictable distribution of municipal taxation. This change will be effective for the 1983 taxation year.

For taxation of property which is the responsibility of the provincial government or a provincial agency, such as non-residential school taxation, taxation of rural areas, British Columbia Assessment Authority levy, etc., authority will be provided to set separate tax rates for different classes of property on a province-wide basis. This change will be effective for the 1984 taxation year.

2. Actual Value Taxation

The introduction of variable tax rates requires the removal of the assessment ratio system, under which the province sets the percentage of each property's actual value which is subject to taxation.

Property will now be taxed on its actual value, and the tax rates will be adjusted accordingly, so that no increases in taxation will result from this change. The present farm exemption based on assessed value will also be changed so as to provide an equivalent exemption based on actual value. The use of actual value as the new tax base will enable taxpayers to better understand the tax calculation.

3. Tax Rate Rather Than Mill Rate

Currently taxation is expressed using the concept of a mill rate, where 1 mill means one tenth of a cent of tax for every \$1 of taxable value.

Taxation will now be expressed in terms of dollars of tax per \$1,000 of value. This change will improve property owners' understanding of the taxation calculation but has no effect on tax levels.

TABLE C1

Comparison of Former Assessment Cycle
With Proposed New Assessment Cycle

<u>Former Cycle</u>	<u>Description of Dates</u>	<u>New Cycle</u>
December 31	Valuation Date	July 1
December 31	Inventory Date	September 30
December 31	Roll Completion Date	September 30
January 20	Last day to appeal to Courts of Revision	October 31
February 1 to February 28	Court of Revision Hearings	November 15 to December 15
February 28	Roll Authentication	December 31

Operation of Biennial Assessment Cycle

<u>As of ...</u>	<u>Action to be Taken</u>
Dec. 31, 1983	The <u>December 31, 1982</u> assessment roll will be updated for physical and zoning changes and will become the roll for the 1984 tax year.
Sept. 30, 1984	New Assessment roll prepared for the 1985 tax year.
Sept. 30, 1985	The <u>September 30, 1984</u> assessment roll will be updated for physical and zoning changes and will become the roll for the 1986 tax year.
Sept. 30, 1986	New Assessment roll prepared for the 1987 tax year.

4. Assistance for Small Business

To assist small businesses with the current tax burden, the reform package includes a new \$10,000 actual value exemption for business and industrial properties and an increase in the exemption for machinery and equipment from \$1,500 of assessed value to \$50,000 of actual value. These exemptions, which will be effective for the 1984 property tax year, will eliminate the taxes paid on machinery and equipment by nearly 15,000 businesses and will significantly reduce taxes for many others.

5. Assessment Cycle

The current assessment cycle, whereby properties are valued as of December 31 of each year and assessment notices are sent out on the same day, creates a difficulty in that assessors must estimate a property's December 31 value well prior to that date in order to prepare the notices. The valuation date will therefore be moved to July 1 with other dates, such as Court of Revision dates, being adjusted accordingly. (See Table Cl.)

These date changes will result in more accurate valuation, more time for an owner to prepare an appeal, and earlier assessment information for municipalities.

6. Biennial (every 2 year) Assessments

The current system values each property each year for taxation purposes in the following year. Commencing in 1983, and odd numbered years thereafter, only properties which have undergone a physical change, a change in zoning or classification, or have been impacted by new construction or development will be valued again; other properties will retain the value from the previous roll. (See Table Cl.) A completely new assessment roll, involving the revaluation of every property, will be produced only in even numbered years.

These changes will reduce the costs of operating the assessment system.

7. Other Changes

Changes will also be made to provide for interest on property tax overpayments, to provide a benefit for early payment of rural property taxes, to include, for comparison, previous values on assessment notices and to require assessment notices to be given, on request, to lessees by property owners.

Conclusion

The 1983 property tax reforms address the problems encountered with the present system, while retaining the best aspects of it. The new variable tax rate system, combined with the other reforms ensure that British Columbia's property tax system continues to be one of the most modern in the world.

APPENDIX D

COMPENSATION STABILIZATION PROGRAM

The Compensation Stabilization Program, originally introduced in February 1982, has been extended and modified. Legislation will be introduced to amend the Compensation Stabilization Act in order to extend the program indefinitely and to give paramountcy to the principles of ability-to-pay and increases based on productivity in the determination of compensation. The guidelines and regulations issued under the Act will also be amended to reflect the revised emphasis of the program.

Background

The Compensation Stabilization Program was introduced in February 1982 as a measure to preserve public sector services and employment in a period of declining government revenue. Under the Compensation Stabilization Act a Commissioner is appointed with the power to enforce binding regulations, issued by the Lieutenant Governor in Council, which set by formula the maximum allowable compensation permitted to be paid to all groups of public sector employees. However, the program is structured to encourage public sector employers and employees to reach voluntary settlements under the compensation guidelines, a less rigid set of rules issued by the Executive Council. Only if the parties are unable to reach an agreement in conformance with the guidelines does the Commissioner apply the regulations to impose a settlement. The office of the Commissioner may assist the parties in attempting to settle their compensation plans under the program. To date this process has been effective in preserving the integrity of collective bargaining, as more than 700 settlements have been reached under the guidelines while no settlement has yet been determined under the regulations.

The program was to have applied to each group of public sector employees for a period of two years beginning on the effective date of the first compensation plan established after February 18, 1982. Different groups therefore entered and would have left the program at different times.

The original regulations permitted maximum increases in compensation for each group in its first year ranging from 8 to 14 per cent, depending on the past compensation experience of each group and on special circumstances, including changes in productivity. The limit for the second year was to be based on the Consumer Price Index for Vancouver. In July 1982, the regulations were amended and the factors were redefined to establish ranges of 0 to 10 per cent and 0 to 9 per cent for the first and second years of the program. The special circumstances factor was broadened to reflect the state of the economy, as measured by inflation, government revenue, employment and private sector compensation, as well as productivity. In addition, the concept of ability-to-pay was introduced to ensure that arbitrated settlements would not lead to staffing or service reductions in public sector agencies.

The success of the program is clearly indicated by the decline in the level of settlements. As of June 27, 1983, the weighted average of settlements for 1983 under the program was 3.78 per cent.

Program Amendments

Due to the continued deterioration in the provincial government's fiscal position and the sharp decline in inflation over the past year, the government now proposes to revise the program further and extend it indefinitely. The ability-to-pay concept will be strengthened and established as the central element of the program, and productivity will now become the crucial determinant of compensation. The Act will provide for regulations which could require reductions in compensation, as well as limiting increases, and will explicitly require arbitrators to recognize the compensation limits and ability-to-pay principle of the program.

As before, the program will function through guidelines and regulations. Effective July, 1983, the regulations will be amended to set limits on compensation changes ranging from -5 to +5 per cent. It is intended that most or all compensation plans will continue to be determined under the guidelines by voluntary agreement of the parties and that public sector employers and employees will work together to improve productivity. To strengthen this principle, salary increments will be costed under the guidelines as well as the regulations and in future will conform only if they reflect productivity increases. The focus of, and incentives in the program are thus being shifted toward enhancement of productivity as the preferred method of maintaining public services in a restrained environment.

APPENDIX E

PUBLIC SECTOR EMPLOYMENT

As a result of the expansion of government services in the 1960s and 1970s there has been a significant increase in public sector employment. Statistics Canada indicates that the number of full-time and part-time staff employed directly or indirectly by the federal, provincial, and municipal governments in British Columbia was approximately 295,000 in 1982. Public employees now make up approximately one quarter of the provincial labour force. The provincial government is determined to reverse this trend for the portion of the public sector under its jurisdiction, to prevent the public sector from absorbing an ever larger share of the provincial economy and labour force.

Direct Provincial Government Staffing

The major focus of the government's efforts to date has been the public service, that is, the direct employees of the provincial government. The size of the public service has been reduced in the past year by hiring restrictions. Further measures are proposed to accelerate this process in 1983/84.

To improve the control and management of direct staffing, the Fulltime Equivalent (FTE) has been introduced as the unit for measuring the utilization of staff in the provincial government. Prior to 1983/84, ministries were controlled according to the number of regular positions authorized in the Estimates. While this provided a ceiling for regular employees, it did not capture auxiliary or temporary employment which was controlled only through funding levels. Beginning in 1983/84 each ministry's annual staff utilization will be monitored and controlled to the number of FTEs presented in the Estimates.

The FTE figures presented in the 1983/84 Estimates are consistent with the provincial government's plan to reduce direct staffing by 25 per cent from the authorized level for 1982/83. This reduction is to be accomplished over two years with a target completion date of September 1984. Ministries have been asked to prepare staffing reduction plans to achieve this objective in a manner which maintains essential services.

The staffing reductions are to be achieved in a variety of ways, including normal attrition, privatization of government services, and elimination of lower priority programs. It should be noted that, of the 14.6 per cent reduction in FTEs for 1983/84, approximately 6 percent represents elimination of positions which were not filled in 1982/83, due to recruitment lags and hiring limitations.

Composition of Public Sector Employment in British Columbia

As illustrated in the table below, approximately 72 per cent of public sector employment is under provincial jurisdiction, either directly or indirectly. A further 18 per cent are employed by the federal government, and 10 per cent by municipal governments.

Of the provincial sector employees, only 43,000 or 20 per cent are directly employed by the provincial government. The remaining 170,000 or 80 per cent are employed by public bodies, mainly in the health and education fields and in major government corporations.

Public Sector Employment in British Columbia

	1982	
	<u>Number</u>	<u>Share</u> %
A. Federal Employees		
Direct	43,243	14.6
Indirect	<u>8,400</u>	<u>2.9</u>
TOTAL FEDERAL	51,643	17.5
B. Provincial Employees		
Direct	43,458	14.7
Indirect:		
Education	77,500	26.3
Health	69,354	23.5
Other	<u>23,521</u>	<u>7.9</u>
TOTAL INDIRECT	<u>170,375</u>	<u>57.7</u>
TOTAL PROVINCIAL	<u>213,833</u>	<u>72.4</u>
C. Municipal Employees		
Direct and Indirect	<u>29,725</u>	<u>10.1</u>
TOTAL PUBLIC SECTOR	<u>295,201</u>	<u>100.0</u>

NOTE: The figures shown above are based on Statistics Canada data (series 72-004,007 and 009) and differ slightly from provincial statistics because of the definition of full and part-time employment, and because of different reporting periods.

APPENDIX F

EMPLOYMENT DEVELOPMENT ACCOUNT

Although the government is committed to reducing public expenditure as the private sector recovers, selective stimulation is required to accelerate the reduction of unemployment. The focus of the initiatives being taken is to ease temporary unemployment and to ensure that skilled labour, which will be required as the recovery gains strength, is developed and retained in the province.

Through the Employment Development Act, 1983 the provincial government is allocating a total of \$415 million for capital works and job programs. Almost half of the total, \$205 million, will be used to accelerate work on basic economic development capital normally funded through ministries. A further \$40 million will complete some of the employment initiatives introduced last year and provide funding for new programs. The remaining \$170 million will provide jobs through an accelerated health capital spending program.

The \$205 million supplement to existing programs will fund highway construction, dyking construction and agricultural development projects. For highways, \$189.6 million is allocated in addition to the \$248.3 million included in the 1983/84 Ministry of Transportation and Highways budget. Projects will include road construction, paving, repaving, and new bridges and tunnels. The total highway capital program for 1983/84 will therefore be \$437.9 million, considerably greater than the 1982/83 allocation of \$287.2 million.

In 1983/84, \$11.7 million will be drawn from the Employment Development Account for dyking and flood control. This funding, which is in addition to the \$6.3 million included in the 1983/84 Estimates for the Ministry of Environment, will allow the province to take full advantage of the Federal-Provincial Fraser River Agreement and to complete priority projects in other areas of the province. In addition to providing jobs, it is expected that the projects will help reduce the average of \$3.5 million paid annually for flood compensation.

The Federal-Provincial Agricultural and Rural Development Subsidiary Agreement (ARDSA) will receive funding of \$3.7 million, in addition to the \$2.6 million provided for in the Ministry of Agriculture and Food budget, to meet project commitments. The 1983/84 total allocation for ARDSA of \$6.3 million will be used to increase agricultural production and marketing through resource management, planning, engineering studies and construction of drainage and irrigation systems.

The \$40 million in special initiatives funded by the Employment Development Account will be used for direct job creation and employment training programs. The three most significant are the NEED (New Employment Expansion and Development), Summer Youth Employment and Unemployed Apprentices programs. In 1983/84, \$10 million will be provided through the NEED program to create jobs for Unemployment Insurance expirees and Income Assistance recipients; \$10 million provided through a Summer Youth program will create up to 8,500 jobs for students; and \$5 million provided through the Unemployed Apprentices program will fund simulated work training for unemployed apprentices. The remaining funds will be for completion of the programs started in 1982/83 and for new initiatives.

A total of \$170 million in capital financing will be made available for accelerated health capital projects. In addition to providing an estimated 5,600 person-years of employment, the accelerated capital projects will help sustain construction firms throughout British Columbia until the economy fully recovers. This funding will expand and improve facilities in British Columbia's high quality health care system.

APPENDIX G

INTERIM FINANCIAL STATEMENTS

Interim financial statements, covering the 14 month period from April 1982 to the end of May 1983 have been prepared by the Comptroller General in accordance with section 8(4) of the Financial Administration Act. Two separate statements have been prepared, one for the fiscal year 1982/83, and one for the first two months of 1983/84.

Fiscal Year 1982/83

Preliminary results for 1982/83 indicate that expenditure exceeded revenue by \$978.2 million on a combined funds basis (consolidated revenue fund), compared to an original estimate of \$358 million. For the General Fund, expenditure exceeded revenue by \$1,002.8 million, while for Special Purpose Funds, revenue was greater than expenditure by \$24.6 million.

Revenue for the fiscal year is reported at \$6,541.0 million, showing a shortfall of \$789.7 million from the original estimate. This shortfall consisted of a decline from the original estimate of \$802.7 million for the General Fund, and an increase of \$13.0 million for Special Purpose Funds.

The major changes from the original estimate of General Fund revenue were:

- a decline of \$580.1 million in taxation revenue, mainly due to a decrease of \$320.8 million in corporation income tax revenue, and a shortfall of \$243.0 million in social service tax revenue. Several other taxation revenue sources were also below the original estimate.
- a decrease of \$208.4 million for natural resource revenue, of which \$146.2 million occurred in petroleum and natural gas revenue, \$52.7 million in forest revenue, and \$30.0 million in minerals. Revenue from water resources was \$22.4 million higher than estimated.
- lower revenue from licences, permits, sales and service fees.
- an increase in revenue from the federal government under shared-cost and unconditional grant programs of \$52.2 million, due to higher receipts under the Canada Assistance Plan.

Expenditure for the fiscal year is reported at \$7,519.2 million, \$169.5 million less than originally estimated (\$150.1 million for the General Fund and \$19.4 million for Special Purpose Funds).

The major changes from the original estimate of General Fund expenditure were:

- human resources program at \$107.0 million over budget, mainly in income assistance.
- public schools education spending at \$70.1 million less than estimated and expenditure on post-secondary colleges and institutions at \$16.4 million under budget.

- . highway construction and maintenance expenditure at \$65.3 million less than originally estimated.

First Two Months of Fiscal 1983/84

Expenditure exceeded revenue on a combined funds basis (consolidated revenue fund) by \$115.1 million for the two months ended May 31, 1983, (\$88.4 million for the General Fund and \$26.7 million for Special Purpose Funds).

Revenue for the two months was \$1,091.0 million and expenditure was \$1,206.1 million.

The major sources of revenue for the two months were:

- . taxation revenue of \$681.5 million, including \$338.3 million for personal income tax, \$170.2 million for social service tax, and \$63.9 million for corporation income tax.
- . natural resource revenue of \$84.1 million, of which \$29.2 million was from petroleum and natural gas, \$23.1 million from forests, and \$28.8 million from water rentals.
- . contributions from the federal government of \$221.0 million.

Expenditure for the two months was reported as follows for the major ministries:

- . Ministry of Health - \$378.3 million.
- . Ministry of Human Resources - \$214.4 million.
- . Ministry of Education - \$181.5 million.
- . Ministry of Transportation and Highways - \$89.2 million.
- . Ministry of Universities, Science and Communications - \$61.5 million.
- . Ministry of Attorney General - \$52.6 million.

Comparisons of actual expenditure for the first two months with budget estimates for 1983/84 are not possible because the estimates had not been presented.

APPENDIX H

FINANCIAL AND ECONOMIC TABLES

TABLE H1
DIRECT DEBT OUTSTANDING AT MARCH 31, 1983

Maturity	Date of Issue	Rate	Series	Amount Outstanding
		(per cent)		(\$ millions)
TREASURY BILLS				
April to June 1983	January to March 1983	9.17 to 9.83		700.0 ¹
BONDS				
May 1, 1988	May 1, 1978	9 1/8	BD ²	163.0 ³
March 31, 1988	March 31, 1983	11 3/8	PRA	26.1
				<u>889.1</u>

¹ Reported at face value.

² The bonds are repayable in 6 annual instalments due May 1 of each year to 1988. The Province has the option to redeem the bonds on any date prior to maturity, in whole or in part.

³ Includes accrued interest of \$6 million.

TABLE H2
DIRECT AND GUARANTEED DEBT ¹
1971 TO 1983

At March 31,	Direct and Guaranteed Debt	Sinking Funds	Net Direct and Guaranteed Debt	Debt as Percentage of Gross Provincial Product ²
	-----(\$ millions)-----			(per cent)
1971	2,776.9	271.9	2,505.0	27.4
1972	3,045.9	305.4	2,740.5	26.6
1973	3,295.7	345.5	2,950.2	25.0
1974	3,647.1	391.8	3,255.3	22.1
1975	4,249.8	447.3	3,802.5	22.0
1976	5,082.8	514.4	4,568.4	23.9
1977	6,285.3	539.5	5,745.8	25.2
1978	7,175.1	625.5	6,549.6	25.8
1979	7,831.6	759.0	7,072.6	25.1
1980 ³	8,979.4	926.6	8,052.8	24.6
1981 ³	9,531.2	1,034.7	8,496.5	23.3
1982 ³	11,327.2	1,200.8	10,126.4	23.8
1983 ^{3,4}	13,316.7	1,353.0	11,963.7	27.3

¹ As reported in the Public Accounts of the Province.

² Gross Provincial Product for previous calendar year.

³ Debt figures shown for 1980 to 1983 are net of amounts held as investments by the General and Special Purpose Funds. For the years 1980 to 1983, accrued interest on the guaranteed debt is included and U.S. dollar debt is translated at the prevailing rate of exchange on March 31. For other years, U.S. dollar debt is translated at the rate of U.S. \$1 = Cdn. \$1, except for British Columbia Hydro and Power Authority debt, which, since 1978, has been translated at the exchange rate prevailing at the dates the U.S. dollar debt was incurred.

⁴ Preliminary actual.

TABLE H3
GUARANTEES OF DEBT OF PROVINCIAL CROWN CORPORATIONS AND
MUNICIPAL AND OTHER LOCAL GOVERNMENTS AND PRIVATE ENTERPRISES
AT MARCH 31, 1983 ¹

	Gross Debt Outstanding	Less Sinking Funds	Net Debt Outstanding
	-----(\$ millions)-----		
Commercial			
Hydro and Power Authority Act	7,927.0	588.0	7,339.0
Development Corporation Act			
Debentures	87.1	-	87.1
Notes	64.1	-	64.1
Petroleum Corporation Act	30.0	-	30.0
Economic Development			
Agricultural Credit Act	4.3	-	4.3
British Columbia Cellulose Company Act	8.8	-	8.8
British Columbia Railway Finance Act			
Bonds and Debentures	782.4	131.3	651.1
Notes	232.8	-	232.8
British Columbia Transit Act			
Debentures	37.3	-	37.3
Notes	20.0	-	20.0
Leases	25.9	-	25.9
Farm Product Industry Act	4.1	-	4.1
Ferry Corporation Act			
Debentures	28.7	-	28.7
Notes	30.3	-	30.3
Greater Vancouver Sewerage and Drainage District Act (some serials)	17.1	13.4	3.7
Harbour Board Act	6.0	-	6.0
Housing and Employment Development Financing Act			
Debentures	6.2	-	6.2
Notes	2.0	-	2.0
Ministry of Transportation & Highways Act	3.9	-	3.9

TABLE B3 - (Continued)
GUARANTEES OF DEBT OF PROVINCIAL CROWN CORPORATIONS AND
MUNICIPAL AND OTHER LOCAL GOVERNMENTS AND PRIVATE ENTERPRISES
AT MARCH 31, 1983 ¹

	Gross Debt Outstanding	Less Sinking Funds	Net Debt Outstanding
	-----(\$ millions)-----		
Social and Government Services			
British Columbia Buildings Corporation Act			
Debentures	517.3	15.5	501.8
Notes	75.0	-	75.0
Educational Institution Capital Finance Act	323.7	13.3	310.4
Hospital District Finance Act	841.8	155.1	686.7
Municipal Act, Part 25 (some serials)	24.4	7.7	16.7
Municipalities Assistance Act	12.2	-	12.2
School District Capital Finance Act	1,402.0	445.8	956.2
System Act			
Debentures	53.5	0.6	52.9
Notes	<u>2.7</u>	<u>-</u>	<u>2.7</u>
Total	12,570.6	1,370.7	11,199.9
Less: Held by General and Special Purpose Funds	<u>143.0</u>	<u>17.7</u>	<u>125.3</u>
TOTAL GUARANTEED DEBT	<u>12,427.6</u>	<u>1,353.0</u>	<u>11,074.6</u>

¹ Unconditionally guaranteed as to principal, premium if any, and interest by the Province. Debt payable in United States funds of \$3.2 billion is included, recorded in Canadian dollars at the March 31, 1983 rate of exchange, except in the case of the British Columbia Hydro and Power Authority and the British Columbia Railway Company for which the debt payable in United States funds is translated to Canadian funds at the rates of exchange prevailing at the dates the debt was incurred. Includes accrued interest.

TABLE H4
CONSOLIDATED REVENUE FUND
OPERATING REVENUE BY SOURCE ¹

	Actual 1979/80	Actual 1980/81	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84	Annual Rate of Growth 1979/80 to 1983/84
	-----(\$ millions)-----					(per cent)
TAXATION REVENUE						
Personal income	1,216.0	1,369.2	1,848.2	2,008.2	1,877.0	11.5
Corporation income	434.7	456.6	580.0	180.2	226.0	(15.1)
Social service	655.5	758.0	1,129.5	997.0	1,225.0	16.9
Motor fuel	219.8	231.5	371.4	389.3	420.0	17.6
Tobacco	66.8	74.7	102.9	109.1	132.0	18.6
Corporation capital	47.3	52.7	89.8	83.8	87.0	16.5
Property	23.9	26.0	43.4	39.4	39.0	13.0
Insurance premium	15.8	17.5	20.2	21.1	23.0	9.8
Hotel room	12.3	15.5	23.7	22.6	25.0	19.4
Horse racing	8.4	6.0	7.6	7.2	8.0	(1.2)
Succession and gift	0.9	0.9	-	-	-	-
Total, taxation revenue	<u>2,701.4</u>	<u>3,008.6</u>	<u>4,216.7</u>	<u>3,857.9</u>	<u>4,062.0</u>	10.7
NATURAL RESOURCE REVENUE						
Petroleum and natural gas						
B.C. Petroleum Corporation	309.7	208.3	219.9	96.0	45.0	(38.3)
Permits and fees	229.7	156.5	69.8	49.3	49.0	(32.0)
Royalties	48.1	50.9	67.2	83.5	85.0	15.3
Minerals	<u>69.5</u>	<u>119.6</u>	<u>62.4</u>	<u>32.5</u>	<u>34.0</u>	(16.4)
	<u>657.0</u>	<u>535.3</u>	<u>419.3</u>	<u>261.3</u>	<u>213.0</u>	(24.5)
Forests						
Logging tax	44.1	45.6	12.3	2.1	2.5	(51.2)
Timber sales	561.7	233.5	78.4	68.6	113.0	(33.0)
Other forests revenue	<u>28.6</u>	<u>21.2</u>	<u>16.0</u>	<u>15.0</u>	<u>15.5</u>	(14.2)
	<u>634.4</u>	<u>300.3</u>	<u>106.7</u>	<u>85.7</u>	<u>131.0</u>	(32.6)
Water resources	22.4	20.2	65.0	187.4	172.0	66.5
Wildlife Act	<u>6.3</u>	<u>6.2</u>	<u>6.6</u>	<u>10.9</u>	<u>11.0</u>	15.0
Total, natural resource revenue	<u>1,320.1</u>	<u>862.0</u>	<u>597.6</u>	<u>545.3</u>	<u>527.0</u>	(20.5)

¹ Certain comparative figures for prior years have been reclassified to conform with the 1983/84 presentation.

TABLE H4

CONSOLIDATED REVENUE FUND
OPERATING REVENUE BY SOURCE — Continued

	Actual 1979/80	Actual 1980/81	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84	Annual Rate of Growth 1979/80 to 1983/84
	-----(\$ millions)-----					----- (per cent) -----
OTHER REVENUE						
Sales and services	116.7	125.8	178.4	157.6	162.0	8.5
Licences and permits						
Motor-vehicle licences and permits	67.9	81.5	103.5	102.1	108.0	12.3
Other	29.7	36.0	41.8	44.0	48.0	12.8
	<u>97.6</u>	<u>117.5</u>	<u>145.3</u>	<u>146.1</u>	<u>156.0</u>	12.4
Fines and penalties	12.8	14.7	19.0	16.3	18.0	8.9
Interest from investments	161.6	225.7	211.5	113.3	70.0	(18.9)
Miscellaneous	17.2	47.0	45.9	61.8	59.0	36.1
	<u>405.9</u>	<u>530.7</u>	<u>600.1</u>	<u>495.1</u>	<u>465.0</u>	3.5
CONTRIBUTIONS FROM GOVERNMENT ENTERPRISES						
Liquor Distribution Branch	222.5	274.6	315.8	338.9	355.0	12.4
B.C. Buildings Corporation	18.3	17.0	8.0	-	-	-
B.C. Systems Corporation	0.2	1.5	2.7	-	-	-
	<u>241.0</u>	<u>293.1</u>	<u>326.5</u>	<u>338.9</u>	<u>355.0</u>	10.2
CONTRIBUTIONS FROM OTHER GOVERNMENTS						
Canada						
Established Programs Financing	593.4	638.4	643.9	652.4	793.0	7.5
Canada Assistance Plan	254.9	312.8	320.1	462.0	490.0	17.7
Other federal contributions	146.3	125.3	118.3	111.4	149.0	0.5
Subtotal, Canada	<u>994.6</u>	<u>1,076.5</u>	<u>1,082.3</u>	<u>1,225.8</u>	<u>1,432.0</u>	9.5
Municipal and other governments	<u>29.0</u>	<u>29.6</u>	<u>32.8</u>	<u>1.4</u>	<u>1.0</u>	(56.9)
	<u>1,023.6</u>	<u>1,106.1</u>	<u>1,115.1</u>	<u>1,227.2</u>	<u>1,433.0</u>	8.8
NON-RECURRING REVENUE	<u>12.8</u>	<u>2.2</u>	<u>47.4</u>	<u>76.6</u>	<u>-</u>	-
TOTAL OPERATING REVENUE	<u>5,704.8</u>	<u>5,802.7</u>	<u>6,903.4</u>	<u>6,541.0</u>	<u>6,842.0</u>	4.6

TABLE H5
CONSOLIDATED REVENUE FUND
OPERATING EXPENDITURE BY FUNCTION

	Actual 1979/80	Actual 1980/81	Actual 1981/82	Preliminary Actual 1982/83	Estimate 1983/84	Annual Rate of Growth 1979/80 to 1983/84
	-----(\$ millions)-----					(per cent)
General government	242.8	255.5	303.3	338.2	351.6	9.7
Protection of persons & property	261.1	286.2	318.7	350.9	368.5	9.0
Transportation & communications	511.0	555.4	646.8	517.7	723.1	9.1
Health and social services	2,015.9	2,503.7	2,898.7	3,434.9	3,760.6	16.9
Recreational & cultural services	70.0	77.6	76.2	72.1	86.6	5.5
Education	1,189.7	1,317.9	1,550.0	1,672.4	1,770.4	10.4
Natural resources & industry	302.3	362.9	487.5	459.8	485.5	12.6
Trade & industrial development	53.1	77.4	86.3	61.8	98.0	16.6
Housing	92.3	117.8	113.5	111.1	80.7	(3.3)
Aid to local government	207.0	297.0	361.3	297.4	307.2	10.4
Public debt charges	21.7	19.3	16.9	27.7	181.0	69.9
Other expenditure	57.3	82.9	91.8	67.8	114.8	19.0
Other payments and charges	138.8	105.8	136.5	107.4	117.0	(4.2)
TOTAL OPERATING EXPENDITURE	5,163.0	6,059.4	7,087.5	7,519.2	8,445.0	13.1

TABLE H6
GENERAL ECONOMIC INDICATORS

	Unit or Base Period	1979	1980	1981	1982
Demographics:					
Population	June 1	2,589,500	2,666,100	2,744,200	2,783,300
Public school enrollment	September 30	511,671	509,805	503,371	500,336
Labour force	thousands	1,223	1,278	1,337	1,346
Employment	thousands	1,129	1,191	1,247	1,183
Unemployment rate	per cent	7.7	6.8	6.7	12.1
Main Economic Indicators:					
Provincial gross domestic product	\$ millions	32,596	27,024	42,895 ¹	43,624 ¹
Provincial gross domestic product (constant 1971 dollars)	\$ millions	15,436	16,242	16,567 ¹	15,407 ¹
Capital investment (new and repair)	\$ millions	9,670	12,182	14,881	12,866
Retail sales	\$ millions	9,195	10,572	12,000	11,766
Automobile sales	\$ millions	691	850	967	677
Housing starts	dwelling units	27,345	37,546	41,585	19,807
Value of building permits	\$ millions	2,134	2,951	3,556	2,161
Incomes:					
Personal income	\$ millions	25,800	29,680	34,403	37,500 ¹
Wages and salaries	\$ millions	16,275	18,883	21,303	22,094
Average weekly earnings	\$	327	364	407	445
Prices:					
Consumer price index, Vancouver	1981 = 100	80.0	87.5	100.0	110.5
Canadian industrial selling price index, manufacturing	1971 = 100	217.9	247.2	272.2	288.7
Financial Indicators:					
Business incorporations	total	17,616	21,380	23,368	11,432
Business bankruptcies	total	687	482	501	1,042
Cheques cashed	\$ billions	287	383	519	488
Shares traded (Vancouver Stock Exchange)	\$ millions	1,478	4,420	3,859	1,559
Sales of life insurance	\$ millions	3,794	4,181	4,631	6,648
Sector Indicators:					
Value of manufacturing shipments	\$ millions	14,628	15,893	16,798	15,182
Value added in manufacturing	\$ millions	5,748	6,439	6,950	7,089 ¹
Value added by manufacture in the forest industries	\$ millions	3,087	3,172	3,132	3,194 ¹
Timber scaled	thousand cubic metres	76,194	74,654	61,818	56,230 ¹
Gross value of mineral production	\$ millions	2,950	3,077	3,009	2,791 ¹
Petroleum and natural gas production	\$ millions	896	828	885	913
Power generation (net)	million kilowatt hours	43,327	43,416	51,008	47,920
Farm cash receipts	\$ millions	652	750	877	919

Table 87 Comparative Provincial Tax Rates as of July 7, 1963

Tax	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	New Scotia	Prince Edward Island	New- foundland
Personal Income (per cent of basic federal tax)	46.1	38.5	51.1	54.1	48.1	(2)	58.8	56.5	52.5	60
Corporation Income (per cent of taxable income)	19	11.5	16	16	11.1	1.5	14	15	10	16
General rate	10	11	16	16	11.1	1.5	9	15	10	11
Small business rate										
Corporation capital (per cent of taxable paid-up capital)	0.2	Nil	0.16	0.2	0.2	0.45	Nil	Nil	Nil	Nil
Non-financial corporations	0.6	Nil	0.5	0.6	0.6	0.5	Nil	Nil	Nil	1.5
Trust companies	2.0	Nil	0.5	2.0	0.6	0.5	Nil	Nil	Nil	1.5
Banks										
Insurance premiums (per cent)	3	2	3	3	3	3	3	3	2	3
Gasoline										
Per cent of retail price	28	Nil	Nil	18.8	20	40	20	20	22	22
Cents per litre	6.48	Nil	Nil	7.5	7.1	13.8	8.2	8.8	9.7	9.6
Diesel fuel										
Per cent of retail price	7	Nil	Nil	7	27	40	23	21	23	29
Cents per litre	6.92	Nil	Nil	8.6	9.3	14.6	9.2	8.6	12.3	11.4
Retail Sales										
General rate (per cent)	7	Nil	0	0	7	18	10	10	10	17
Liquor (per cent)	7	Nil	0	0	12	10	10	10	10	17
Meals (per cent)	7	Nil	0	0	5	10	10	10	10	17
Accommodation (per cent)	6.1	Nil	Nil	0		Nil	10	10	10	17
Tobacco (cents per 25 package of 25 cigarettes)	50	37	52	52.5	57.5	52	67	35	37.5	122.7
Amusements/Entertainment (per cent)	Nil	Nil	City levy	City levy	10	10	10	10	10	City levy
Horse racing betting (per cent)	7	5	10	7.5-12.5	7-9	5.5-12.5	11	11	8.5-15.5	11
Hospital Insurance/Medical Services (annual premiums or taxes)	5180 single 5116 couple 5184 family	5168 single 5116 family	Nil	Payroll tax on all wages and salaries	3145 (2) 5680 (2)	Payroll tax on all wages and salaries	Nil	Nil	Nil	Nil
Passenger vehicle licence fees	23-30	30	20-30	19-36	24-48	34-77	24-76	24-30	23-55	40-65
Chevrolet Clestream (8)	29			28	48	68	56	26	26	48

- 1 British Columbia has a 10 per cent surtax on provincial tax in excess of \$4,000. Manitoba has a 20 per cent surtax on provincial tax in excess of \$2,657. on provincial tax in excess of \$4,000.
- 2 Ontario has a 5 per cent surtax on provincial tax in excess of \$110.80.
- 3 Quebec levies its own personal income tax which has an approximate range of 50 to 60 per cent of federal tax.
- 4 In Ontario, a 14 per cent corporation income tax rate applies to taxable income derived from manufacturing and processing, mining, logging, farming and fishing operations. Small businesses are exempt from taxation until January 1, 1985.
- 5 All insurance companies in Saskatchewan are exempt from corporation capital tax.
- 6 Tax is payable by insurer. Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia tax life, sickness and accident insurance premiums at two per cent and all other premiums at three per cent. In Newfoundland, an additional 12 per cent tax on premiums is payable by the insured. Most provinces levy an additional tax of one per cent or less on fire insurance premiums to fund the office of the provincial fire commissioner.
- 7 Fuel taxes and tobacco tax in Ontario and fuel taxes in New Brunswick are valid until June 30, 1983. Adjustments effective July 1 are available at time of publication.
- 8 In British Columbia, the tax rate on diesel fuel is equal to the tax rate on gasoline plus 0.44 cents. Manitoba has suspended all ad-valorem adjustments on fuel taxes.
- 9 A 1 per cent increase in Quebec retail sales tax from 8 per cent to 9 per cent is temporarily in effect until at least the 1984 Quebec budget.
- 10 In Prince Edward Island, liquor is taxed under the Health Tax Act at 25 per cent and under the Retail Sales Act at 10 per cent resulting in a compound rate of 37.5 per cent.
- 11 Applies to individual meals (including non-alcoholic beverages) served on the premises, priced at \$7 or more. Meals less than \$7 per person exempt.
- 12 In British Columbia, rooms costing \$50 or more per night are taxed at 8 per cent.
- 13 In British Columbia, the tax on cigarettes is indexed to reflect changes in the retail price. In Ontario, Quebec, New Brunswick and Newfoundland tax rates of 45, 50, 50 and 75.1 per cent respectively are applied to a determined retail price. The other provinces tax cigarettes by a set amount which cannot be adjusted without a legislative amendment. In Prince Edward Island, Newfoundland and Ontario, tobacco products are also subject to retail sales tax.